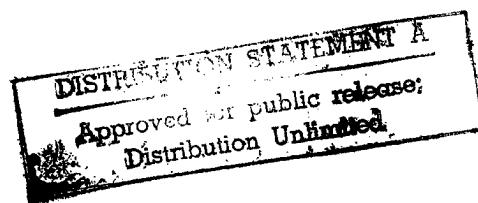




JPRS Report

East Europe

19980113 281



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East Europe

JPBS-EER-92-130

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Commentary on Slovak Public's Political Passivity
92CH08904 Bratislava SLOVENSKY DENNIK
in Slovak 21 Aug 92 p 1

[Commentary by Juraj Hrabko: "The Muzzle"]

[Text] **Hesitation. Do you feel it?**

Our initial enthusiasm and euphoria at the changes in our society have vanished forever. We are gradually learning that democracy, for which we used to clamor in the past, turned out to be disagreeable and in fact, uncomfortable. Day in and day out, it brings us problems with which once, not so long ago, the Central Committee used to deal in our behalf. We walk in the street with our heads cast down and with our eyes fixed on the ground. We are ashamed to look in the mirror and even straight in the eyes of our friends and acquaintances. We are pressed for time.

We are witnessing one purge after another, updated screenings of the cadres, newfangled agreements concerning termination of employment, searches and detection of the constantly changing guilty parties, and attacks against ideas in whose name we once used to make noise by jingling keys in our town squares. Our easy-chair culture has made us self-indulgent and spoiled us rotten, and so we now look enviously at the shiny Mercedeses and Mazdas and other foreign automobiles, which carry not only black marketers and prostitutes, but also persons who spend more time working than sleeping. They really work, they do not just go to their workplace. Is it any coincidence that we envy the latter individuals more than the former?

We are besotted with illusions that in modern Europe, of which we already consider ourselves an integral part, it is impossible to slide back into the past. In the erstwhile Yugoslavia, everybody must have gone crazy! Murders are being committed there now, at the end of the 20th century. Murders! We avert our eyes and, like cowards turn away from our television screens, which are brazen enough to present in our homes tortured bodies, mutilated corpses and helpless question marks in children's eyes. How tasteless and unpleasant it is!

After all, we are different. So what if something that in fact has no name and consequently, no value, either, is breaking apart following the decision of a couple of persons who respect no other values but the feeling of power? I know we are not responsible for that. Our people say that the Czechs are to blame. In Bohemia, they blame us, the Slovaks. Who in fact is behind that—the Hungarians, the Jews, or the Gypsies? And who will be the scapegoat after them?

Problems with job, family, living...we are waiting for someone to tell us what to do. Whom can we trust? Ourselves? But then we would have to share responsibility!

Hesitation. Do you feel it?

Our conduct is decorous, and we continue to walk in the street with our heads cast down because that way the blinkers strapped to our faces are less conspicuous. We are being endlessly scratched behind our ears. And that feels so wonderful!

Czech, Slovak Economic Programs Compared

92CH08804 Bratislava NOVE SLOVO in Slovak
17 Aug 92 pp 4-5

[Article by Jaroslav Fidrmuc: "Two Paths to One Goal?"]

[Text] It can be said that clearly the concepts of the SR [Slovak Republic] and the CR [Czech Republic] Government declarations are different. If we put aside the specific issue of versions of the legal composition of the state, the SR's Government declaration about its program belongs to the concept of a socially oriented market economy, while the CR's Government declaration about its program falls within the concept of development toward a capitalist economy. The implementation of both concepts has already run into basic problems, since there have been efforts made at implementation substantially since November 1989. However, the differences were covered over by the federal system. As it disappears, they are rapidly increasing.

What About Slovakia?

In the SR the basic problem is a shortage of financial resources for social actions, but the shortage is even more striking for the economic development, mainly investment, which the expensive social measures require. And with what in actually is a social democratic program, the Slovak Government is also not able to gain access to the same financial resources as would be the case in development for capitalism.

That applies mainly to international loans carrying obligations and placing conditions on repayment, which moreover drain the economy as they pull the economic results, and the profits, out into the countries from which the capital comes. Particularly with the current world shortage of capital resources, there is no interest on the part of international capital to provide these loans, with the exception of investment in the environment and, to a certain degree, in social actions, which are essential for maintaining international stability.

That applies all the more to foreign capital, which feels no responsibility for international development, but is only concerned with profit. Venture capital is indeed willing to take risks, but at the cost of excessive profits, which are furthermore unacceptable for the program of a socially oriented market economy.

And a socially oriented market economy must particularly limit the creation and development of domestic capital. It also cannot agree with the drastic exploitation methods, which accompany the creation and growth of

this domestic capital, especially in its initial accumulation, as the CSFR is again experiencing.

As opposed to the monetary concept of development, which has been thoroughly applied by Klaus, there is official emphasis on the possibility of utilizing deficit budgeting. It is true that the neo-Keynesian methods of development have very limited possibilities. If they achieve greater income in the form of taxes and payments from a revived economy, they lead to inflation, which can rapidly grow to disastrous dimensions. The rapid growth in prices threatens not only the concept of the socially oriented market economy itself, but also the collapse of the market and of state finances.

The accumulated resources of the state enterprises obviously still can be the most important source of resources in the immediate future. To date, the state sector is creating 90 percent of the gross domestic product and more than 90 percent of the employees in the CSFR work in that sector. It is true that this year, which is sometimes called the year of privatization, that percentage will drop rapidly. In the SR there are quite a few, perhaps a predominance, views that the coupon privatization should affect only a smaller portion (20 to 30 percent) of the state property while the majority should remain in the hands of the state.

In the current mild recovery, when the lowest point of decline in industrial production for the entire CSFR in the last quarter of the past year has already been exceeded, these do not have to be a small amount of resources. However, one should not overvalue them, especially in the weak Slovak economy, which is being subjected to more competition. And finally, the overall recovery within the framework of the CSFR with the unresolvable legal composition of the state and the transformation of the economy in the privatization process does not have to be permanent.

Just as in the Czech Lands?

The CR has and will have entirely different problems in its program of development favoring capitalism. There will undoubtedly be far fewer problems with financial resources for development. After all, this concept does not worry itself, for example, with its social attitude toward agriculture. It leaves it much more at the mercy of hard competition with the agricultural products of countries with much better natural conditions, and a higher productivity of labor as well, and with the countries of Western Europe whose agriculture is much more subsidized by the state. It is a similar situation with other areas of the state expenditures as well—unemployment compensation, families with children, the education and health area—to say nothing about the fact that such problems are inevitably smaller in countries with stronger economies.

The CR will obviously have substantially greater resources for economic development as compared with the SR, both from international loans and also from the participation of foreign capital striving to get the most

out of the policies of the CR, which many foreign economists call a clearance sale. Especially on the part of German capital there is an effort to create for itself in the CR a very important sphere of influence, which, for example, even the important French economists (perhaps with a poorly concealed barb of jealousy and envy) call a new form of German imperialism which for now has not been recognized.

To a substantially greater degree, the CR already has and is rapidly developing its own Czech capital. It has acquired its position especially in trade, but also often right on the borderline of legality. A deliberate policy, which does not distinguish between dirty and clean money, broad possibilities for tax evasion as a result of insufficient tax legislation and the inexperience of the financial offices, and a close connection with foreign capital, especially on the part of the existing enterprise management have created very favorable conditions for this. However, creating one's own capital from almost nothing in a brief time cannot be done in any way other than fraud. It is therefore justifiable to speak of "lumpen capitalism."

Obviously the largest "grandiose swindle and theft of the century" is being prepared, however, in coupon privatization. While in the SR at least, the basic measures are being taken to limit the operations of the privatization investment funds (thanks to which coupon privatization has thoroughly degenerated and become a tool by which one can easily and in the shortest time gain control of even the largest enterprises through capital), in the CR their operations have the green light and they are not bound by any measures.

In contrast to the SR, in the monetary system of development and the "hard" capitalism of Klaus' concept a deficit budget could threaten the gains of the capitalist development. They could likewise be threatened by the surviving state enterprises, which must be privatized to the maximum degree in the capitalist-oriented development and state subsidies minimized for the others.

As soon as possible taxes on enterprise will be reduced, as has already been made possible by the tax reform, and the main tax burden will be shifted to indirect taxes. That guarantees the enterprise a further acceleration of the capitalist-type development.

Getting rid of the subsidy for Slovakia is considered one of the sources for speeding up development of the CR. The commonly held and widely publicized data that each household in the Czech lands has paid out 7,500 korunas [Kcs] for Slovakia in the past decades must, however, be taken with a grain of salt because there is also the question here of cheap imports of raw materials and semifinished goods without a turnover tax, the labor forces from Slovakia, etc. However, it is interesting that today's set of governing politicians in the Czech lands in their capitalist-oriented development want to get rid of Slovakia as their sphere of influence within the state. In

that area we can expect a growing criticism of this process in the Czech Republic as well on the part of other Czech procapitalist groups.

The most serious problems, however, can obviously be expected in laying out the specifics of the procapitalist development in the social field in the CR. The "lumpen capitalist" type of development in countries with such a strong social democratic tradition must run into growing resistance and the revelation of the "grandiose swindle and theft of the century," which the Czech right wing, relatively speaking neither very unified nor very pre-dominant, will find it hard to overcome.

A Possible Future

In the immediate future the developments in the SR and the CR will obviously differ from each other even more sharply. It is true that after they reach a certain boundary of differences they will again begin to lessen, for example, in their considerations of Czech-Slovak unity.

On the one hand, the socially oriented market economy of the SR will be pressured to reduce the enterprise and other taxes in creating additional resources for the economic and social development of the enterprises and in the interest of this it will have to limit the state expenditures. On the other hand, the development favoring capitalism in the CR as it runs into the threat of losing social programs will have to move in the direction of developing social measures, which, contrariwise, will increase the state expenditures.

In that development, which in the current transition period will play itself out not in decades or in year, but in months, there is a real chance not only to overcome the economic and social difficulties of the SR and the CR, which up until now have been greatly different, but also to bring them closer together again in a new state legal arrangement on the basis of the principle of mutual equality.

Customs Preferences, Origin of Goods Discussed

92CH0789B Prague HOSPODARSKE NOVINY
in Czech 23 Jun 92 pp 8-9

[Article by Jiri Havlik, Ivona Klabouchova, and Tomas Kucirek of the Central Customs Administration of the Federal Ministry of Foreign Trade: "Customs Preferences and the Origin of Goods—The Agreement on a Free Trade Zone Between the CSFR and EFTA"]

[Text] *It is expected that, by 1 July 1992, the agreement between the CSFR and EFTA (European Free Trade Association, which includes Austria, Switzerland, Sweden, Norway, Finland, Iceland, and Liechtenstein) will go into effect. According to this agreement, both parties particularly provide for customs-tariff advantages (that is to say, the lowering and the elimination of customs rates). The importer has the right (not the duty) to require customs*

and tariff advantages only if he documents the fact that the imported goods originated in the aforementioned territories.

Much as is the case with the European Agreement, the origin of goods is determined on the basis of a so-called nomenclature criterion, which is based on the goods nomenclature of the Harmonized System for the Description and the Numerical Designation of Goods (hereinafter referred to as HS). A condition for acknowledging the origin of goods being processed, worked on, or modified is for the following to occur in the exporting country:

1. Fulfillment of the stipulated conditions for adequate processing of exported products, to the extent to which they are listed in a special listing identified as Attachment II to the Protocol, or
2. The four-digit HS number in the tariff class of the goods has been changed when the goods are being exported, in comparison with the original classification of the goods upon importation.

The CSFR-EFTA agreement on the free trade zone contains essentially the same rules for determining the origin of goods based on the nomenclature criterion applicable to the CSFR-EC agreement (the European Agreement).

Procedure in Determining the Origin of Goods

The rules for determining the origin of goods are defined in the protocol having to do with the definition of the concept "original products" and methods of administrative cooperation with the EFTA (hereinafter referred to as the Protocol, which is sold as of 15 June 1992 in the Czechoslovak Chamber of Industry and Commerce).

The definition of the concept "original products" is contained particularly in Articles 1-7 of the Protocol (including Attachment I and Attachment II of the Protocol). The simplest case of determining the origin of goods occurs in the event the product is wholly acquired in the given country. According to the Protocol, wholly acquired products are the following items, which are defined in virtual agreement with the rules of the European Agreement:

- a) Mineral products extracted from the ground of the given country or from the ocean bottom.
- b) Plant products harvested in the subject countries.
- c) Live animals born and raised in the subject countries.
- d) Products from live animals raised in the subject countries.
- e) Products acquired on the basis of hunting or fishing activities by the subject countries.
- f) Products of ocean fishery and other products of the sea, obtained by vessels of the subject countries.

g) Products manufactured on board fisheries processing vessels exclusively from products listed in Paragraph f) above.

h) Used articles collected in the subject countries which are suitable only for the acquisition of raw materials, excluding used tires as listed in Attachment I to this Protocol.

i) Waste and scrap materials originating in processing operations engaged in by the subject countries.

j) Goods manufactured in the subject countries only from products specified in Paragraphs a) through i) above.

In other cases, where the manufacture of certain goods is shared in by several countries, it is necessary to stipulate the country in which the goods acquired the character of origin. The procedure is the same as the procedure for determining origin under the European Agreement.

The determination of the origin of an acquired product is not influenced by the origin of so-called neutral elements, that is to say, electric energy, fuels, machinery, tools, and other installations used in manufacture or materials that are not part or should not be part of the final composition of the product in question. On the contrary, all appurtenances, spare parts, and tools that are part of the normal furnishings and are included in the price of products (particularly various installations, machinery, vehicles, etc.) are considered as a part of the goods in question and, therefore, do exert an influence upon its origin. Sets made up of original and nonoriginal products are considered to be original wholes if the value of the nonoriginal objects does not exceed 15 percent of the price of the set.

For purposes of this Protocol, price is understood to be the so-called price, free on board at the enterprise, that is to say, the price paid to the manufacturer engaged in the final processing phase, which incorporates the value of the work done and all materials utilized in manufacture, but does not include any possible internal fees and taxes paid in conjunction with the exportation of the goods. The value of utilized nonoriginal materials and parts is considered to be the customs value at the time these items are imported.

A no less important prerequisite for acknowledging the character of original products is fulfillment of the condition of direct shipment. According to the provisions of the Protocol, goods may be transported only directly or via the territory of the contracting parties (EFTA countries, the CSFR, and for purposes of accumulation (see below) also via Hungary or Poland). The statute of origin may also be preserved when the goods enter the territory of third countries, as long as all of the following rules are adhered to and appropriately proven:

- The original products form a single shipment.
- For the entire duration of its transit across the territory of a third country, the shipment is under the control of the customs organs of that country.

- The goods are not subjected to any operation other than unloading, reloading, and operations to assure that the goods are maintained in a good state during shipment or during temporary warehousing.
- The goods have not become the object of trade in third countries.

Cumulation of Origin

Agreements concluded between the countries of the EFTA and the CSFR and future agreements between the EFTA and Hungary and Poland make possible the cumulation of the origin of goods. This means that products imported into the CSFR have the character of having originated within the EFTA provided they were wholly acquired within EFTA countries or were adequately processed there. If it is necessary, for purposes of judging the adequacy of processing to determine the percentage share of value added, then the values added in the individual countries of the EFTA are added together (that is to say, they are cumulative).

Goods which acquire a statute of origin on EFTA territory are then considered to have originated in that country in which the acquired added value represents the highest percentage share in their overall value. Upon conclusion of agreements between the EFTA and Hungary and Poland, it will be possible for Czechoslovakia, Poland, and Hungary to accumulate the origin of goods exported to EFTA countries, provided they conclude an agreement on administrative collaboration in the question of the origin of goods.

Preferential Customs Rates

According to the provisions of the above-listed agreements, products that are acknowledged as having originated in the aforementioned territories are accorded preferential treatment. The agreement between the EFTA and the CSFR is asymmetrical in nature, that is to say, that preferential treatment accorded upon importing goods into Czechoslovakia is less extensive than the advantages afforded by EFTA countries to goods of Czechoslovak origin being imported.

The preferential regimen involved in the importation of goods originating in EFTA countries and being imported by Czechoslovakia consists of the gradual reduction of import duties for selected products all the way through elimination of import duties across the board. The preferential treatment applies to industrial products listed in Chapters 25-97 of the customs rate schedule.

For purposes of the agreement, imported industrial products are broken down into four groups (so-called lists). List A includes "unprotected" products which will be totally free of duty as soon as the agreement goes into effect. List B contains products which are "slightly protected," for which the reduction of customs rates will take place gradually in three stages. With respect to so-called sensitive products, which are identified in List C, customs rates will remain in effect even after the agreement goes into effect without change; their reduction will be initiated at a later date. A

somewhat special treatment is reserved for some products (new automobiles) listed in List D. Table 1 shows how the

customs rates will be specifically reduced in the individual phases shown.

Table 1

	As of Day Agreement Becomes Effective	As of 1 January				
		1995	1997	1999	2001	
List A		Duty-Free				
List B	Applies to 80%	Applies to 40%	Duty-Free			
List C	—	Applies to 80%	Applies to 60%	Applies to 40%	Duty-free	
List D	Applies to 80%	Applies to 60%	Applies to 40%	Applies to 20%	Duty-free	

Certificate of Origin for EUR.1 Goods

The fundamental proof of origin for goods for purposes of the aforementioned agreement is the EUR.1 movement certificate. The distribution of this document is handled by the SEVT Publishing House (in Slovakia, the SHEVT) under the designation of (SEVT 29 286 0). As of the day the agreement goes into effect, the EUR.1 certificate is to be confirmed by the Customs Administration (customhouse). The customhouse confirms the origin of the goods only for purposes of realizing the above agreement and the European Agreement, concluded with the European Community. Certifying the origin of goods for other purposes will continue to be done by the Czechoslovak Chamber of Industry and Commerce.

The EUR.1 document is made up of two parts:

- The Movement Certificate
- The Application for Movement Certificate

Both parts of the document, with the exception of Paragraphs 7, 11, 13, and 14, are to be completed by the exporter in conjunction with the Protocol. Paragraphs 7 and 11 are intended for entries made by the customhouse and for customs confirmation at the time of export. In case of exports involving products sold following an exposition (see Article 18 of the Protocol), the exporter will list the title and address of the exposition in Paragraph 7.

Paragraph 13 is exclusively for the use of customs offices of the importing country in the event that they request subsequent verification of the certification from the exporting country. Therefore, the exporter must list the title and address of the Central Customs Administration in the upper portion of Paragraph 13 for all certificates issued in Czechoslovakia.

The exporter is obligated to submit an application for a movement certificate with sufficient notice prior to accomplishing any export activities. The customhouse may stipulate the time limit required for verifying and certifying the movement certificate, taking into account the character of the shipment and the method used to verify origin. A stamp of a value stipulated in the decree on administrative fees (Decree No. 570/1990 Sb., as modified by Decree No. 522/1991 Sb.) is to be affixed to

the lower portion of the application for movement certificate (Part 2). The exporter bears full responsibility for the correctness and truthfulness of the data, which he is listing in the movement certificate. If he submits a document to the customhouse which contains false data for purposes of acquiring special advantage, he can be penalized according to the provisions of the customs law, Law No. 44/1974 Sb., as modified by subsequent legislation.

A duplicate of the EUR.1 movement certificate is issued by the customhouse which has verified and confirmed the original (damaged, stolen, or lost) certificate. A stamp of equal value as that appearing on the EUR.1 certificate is to be affixed directly to the duplicate document by the exporter.

Similarly, in the case of reexported goods that have been imported from Poland, Hungary, or from an EFTA country, but which have not acquired the character of origin in Czechoslovakia, the certificate of origin of the goods is confirmed by the Czechoslovak Customs Administration. The EUR.1 movement certificate differs only with regard to completion of Paragraph 4, which lists the appropriate country of origin.

Simplified Proceedings

These proceedings are used in exports to EFTA countries, much as they are for exports from Czechoslovakia to the EC.

The customhouse may use a LT [long-term] certification after verifying the reliability of the data by checking with the individual participants in the customs proceedings in the course of certifying the origin of goods. LT certificates cannot be used for reexport transactions involving Hungary and Poland.

The customhouse sets the validity of an LT certification (particularly in view of the character of the goods being exported) for a maximum period of one year. The stamp on the application for an LT certificate is of the same value as that for the EUR.1 document. Records of exports accomplished within the framework of an LT certificate are kept by the exporter himself. The customhouse has the right to inspect these records.

In the event the importation of goods is being negotiated at more than one customhouse branch, the participant is

obligated to submit to each customs branch office the original or an officially verified copy of the LT EUR.1 document (or of the invoice).

For the period of validity of an LT EUR.1 document, the proof of the origin of goods is augmented by the invoice, which must contain data stipulated by the Protocol (Article 12, Paragraph 8) and the declaration of the exporter with essentially the following text:

- In the Czech language: "I, the undersigned, exporter of the goods covered by this document, declare that the goods meet the conditions to obtain origin status in preferential trade with...and that the country of origin of the goods is...."
- In the English language: "I, the undersigned, exporter of the goods covered by this document, declare that the goods meet the conditions to obtain origin status in preferential trade with...and that the country of origin of the goods is...."

These declarations can also be listed in the Slovak language, in Finnish, French, German, Icelandic, Italian, Norwegian, Swedish, and in the future, in Hungarian and Polish.

Simplified Proceedings for Confirming the EUR.1 Certificate

After gathering the necessary experiences involving approaches by individual exporters with respect to the verification of movement certificates, the customhouse

may permit selected exporters to participate in simplified proceedings. In addition to using the LT certificate, use is made of a previously endorsed EUR.1 certificate and an EUR.1 certificate endorsed by a previously approved exporter using a special rubber stamp (see Attachment V to the Protocol), much as is the case with respect to the agreement involving the EC.

Certifying the Origin of Goods on an Invoice

After acquiring a certain amount of experience, it will now be possible to utilize a simplified method—a declaration on the invoice. See Attachment IV to the Protocol.

EUR.2 Forms

For purposes of this agreement, EUR.2 forms are not used. In their place, it is possible to make use of a declaration on the invoice (see Attachment IV to the Protocol) for goods valued up to 5,110 ECU [European Currency Unit]. However, the following conditions must be fulfilled:

- The shipment contains only original products.
- The value of the shipment does not exceed 5,110 ECU or, when being invoiced in korunas, does not exceed 110,000 korunas [Kcs] or, in the event invoicing is being done in other currencies, the value may not exceed the amount shown in Table 2.

Table 2

Currency	Small Packages (365 ECU)	Personal Baggage for Travelers (1,025 ECU)	Limit of Declaration on an Invoice (5,110 ECU)
Austrian schilling	6,000	15,000	74,000
Finnish markka	1,800	5,000	25,000
Icelandic krona	27,000	76,700	382,400
Norwegian krone	2,900	8,200	40,800
Swedish krona	3,000	8,000	39,000
Swiss franc	650	1,800	8,800
Czechoslovak koruna	8,000	22,000	110,000
Hungarian forint	36,000	102,000	507,000

Exemption From Proof of Origin

Proof of origin is not required in importing goods that fulfill conditions outlined in Article 24 of the Protocol. If all conditions are fulfilled, the goods are exempt from having to prove origin, provided the overall value does not exceed the following amounts:

a) Small shipments, not to exceed 365 ECU, or if the value is declared in korunas, Kcs8,000, or an appropriate amount in other currencies recomputed in accordance with Table 2.

b) Personal baggage of travelers must not exceed 1,025 ECU in value, or if the value is declared in korunas,

Kcs22,000, or in other currencies must not exceed the amount recomputed according to Table 2.

Regulations Regarding Origin for Purposes of Trading With Finland

The possibility of confirming the origin of goods on the invoice or on another commercial document by declaration on the part of the exporter or manufacturer in trade involving Finland remains in effect. However, the duty-free importation of products listed in Chapters 1-24 of the Harmonized System originating in Finland and being imported to Czechoslovakia is rescinded.

Practical Advice and Recommendations

Languages

For purposes of documenting the origin of goods, it is possible to use the EUR.1 document issued by the SEVT/SHEVT (Czech and Slovak language versions) or appropriate forms issued for purposes of the agreement in EFTA countries in any one of the official languages of the EFTA.

The customs organs of the exporting as well as importing country have the right to demand that the exporter (importer) submit the textual materials, which the exporter is listing in the EUR.1 document. For these reasons, we recommend to exporters that they complete the important textual information (particularly information describing the goods involved) in duplicate, that is to say, in the Czech or Slovak language as well as in the language in use in the country of importation.

Archiving

The Protocol stipulates the minimum time for archiving documents submitted and those coming into being in the course of verifying the origin of goods for two years. In view of related time limits stipulated in other regulations valid in Czechoslovakia (particularly in Law No. 44/1974 Sb., as modified subsequently), the customs authorities archive applications for movement certificates for a period of three years beginning at the end of the calendar year in which the movement certificate was confirmed.

In view of the fact that the Protocol requires the archiving of supporting documents by the exporter, it is important for purposes of possible subsequent investigation for the importer to archive these documents for three years as well, in his own interest. This particularly involves documents identified on the rear of the application for a movement certificate, which are listed in the listing of submitted supporting documents.

Verification of Document Copies

Upon request by a participant in customs proceedings, the customhouse will certify a copy of the movement certificate, an LT certificate, or an invoice. The obverse side of every verified copy will have affixed to it a stamp of a value stipulated in the appropriate regulation.

Final Summation

1. In the case of active beneficiation contact and in the case of similar product processing, the value of which is shared by one or more EFTA countries, by Czechoslovakia, and, later, also by Poland or Hungary, the origin of the goods is determined in accordance with the highest value share contributed by the appropriate country in question.

2. For purposes of proving the origin of goods valued up to 5,110 ECU, use is not made of the EUR.2 form, but rather a declaration on the invoice (see Attachment IV of

the Protocol) having to do with the definition of the term "original products" and dealing with methods of administrative collaboration within the EFTA.

3. The LT certificate is used for purposes of simplified proceedings, as are EUR.1 documents previously endorsed by the customhouse and EUR.1 documents endorsed by approved exporters by using a special rubber stamp (see Attachment V of the Protocol), as is the case regarding the agreement with the EC. Until further notice, simplified proceedings will involve only LT certificates and, as an exception, also customhouse preendorsed certificates.

4. It will be possible, after acquiring certain experiences, to also use the simplified method of invoice declaration (see Attachment IV of the Protocol).

5. There are also differences in Attachment II of the Protocol involving the determination of conditions of origin for individual types of goods. With respect to products listed in Chapters 84-91 of the customs rate table, alternative rules are listed in column 4, in addition to the rules listed in column 3. For purposes of origin certification, it is, therefore, possible to make use of conditions in columns 3 or 4.

6. The Protocol does not contain provisions covering the exemption of products from the listing of preferences. Thus, preferential treatment applies to petroleum products.

7. The cumulation of origin of goods originating in Czechoslovakia, Hungary, and Poland, which are imported into any one of these countries and subsequently reexported to EFTA countries, will become effective upon conclusion of the agreement on administrative cooperation between treaty countries. The effective date of this cumulative provision will be announced later.

(Protocols covering the origin of goods in CSFR-EFTA trade are on sale at all offices of the Czechoslovak Chamber of Industry and Commerce.)

Status of CSFR Nuclear Research Detailed

92CH0901A Prague REPORTER in Czech
Nos 31-32, 1992 pp 10-11

[Article by Jiri Kouda: "Hopes and Fears"]

[Text] In recent years, atomic energy has been touted as being a direct danger to mankind for two reasons: First, the catastrophe at Chernobyl cast doubt not only on the human factor, but also on the technical provisions intended to prevent the escape of radiation. Second, the problem of eliminating nuclear materials and primarily exhausted fuel from nuclear reactors has not been solved in any absolute way. The defenders of nuclear energy,

however, raise two arguments: It is statistically documented that nuclear energy is cheaper than energy obtained by burning fossil fuels, and from the ecological standpoint, the operation of nuclear power plants does not contaminate the environment in the same manner as do conventional power plants. An example is northern Bohemia, where entire generations of citizens are already suffering from chronic diseases of the lungs and from cancers at a rate that far exceeds the national average. Another unclear point, which lies somewhat in the shadow of these principal problem areas, and which causes many people to have feelings of uncertainty, is nuclear research in general. Such research continues, even in the CSFR.

In the green environment of Rez near Prague, is the heart of Czechoslovak nuclear research. The entire complex is made up of three institutes: the Institute of Nuclear Research (UJV), the Institute of Nuclear Physics (UJF), and the Institute of Inorganic Chemistry. The institutes date back to the mid-1950's and they employ around 1,000 individuals. The largest and most important is the UJV, which employs 700 people. For purposes of conducting research, two nuclear reactors—one experimental and one research—have been installed there.

The basic problem of safety and reliability of nuclear facilities also constitutes the principal research priorities of that institute. Otmar Hrazdil, candidate of sciences, the deputy director of the UJV, adds the following: "We cannot operate nuclear facilities without having a research and experimental base to provide us with documents for designing nuclear facilities, but also provide us with information to improve safety and the reliability of their operations." At this point, it is necessary to recall that the disasters, which occurred in 1979 (Three Mile Island, United States) and 1986 (Chernobyl, USSR), accelerated the intensity of research in that field. All materials that are used in nuclear reactors are examined. What is involved here, for example, is increasing the safety and life expectancy of the reactor vessel. Over time, radiation results in "radiation embrittlement." That is immensely serious in view of the fact that the life expectancy of a reactor vessel, which is under pressure, simultaneously determines the life expectancy of the reactor itself. Unfavorable consequences of radiation embrittlement affecting the reactor vessel are periodically eliminated by a special thermal process involving stress relief annealing, but, for the most part, by the optimum arrangement of the active zone. In this direction, the UJV engages not only in theoretical computations, but also does so-called modeling experiments, using the RL-0 experimental reactor. On the basis of those results, for example, proposals were made for the configuration of the active zone for VVER 440 reactors (these reactors are the basis for our nuclear energy). A complicated problem area is also the development of corrosive products in the primary cooling circuit. A decisive role is played here by the cleanliness of the water passing through filters and, of course, the material of which the pipes and fittings are made. In this area, the

results of the theoretical and experimental research conducted by the UJV are priceless. Work on the safety and reliability of nuclear facilities, however, anticipates a greater degree of international collaboration with firms such as Westinghouse (United States), Framatom (France), ABB (Sweden), and Siemens (FRG). I would add that the government contract for research involving the safety of nuclear facilities for this year amounts to 60 million korunas [Kcs].

Nuclear Waste

Nuclear waste and primarily the highly radioactive spent fuel from reactors constitutes a very serious problem which, in many countries, influences public opinion in regard to nuclear energy. Scientists admit that thus far there is no technology for the 100-percent safe processing of nuclear waste. Because in this country there is no consideration of building a reprocessing plant for spent fuel and because we lack a financially tolerable opportunity to export such fuel (the Russians are asking \$1,250 per kg), we opted for the short-term and medium-term storage of fuel on Czechoslovak territory. These are both ponds and also so-called intermediate storage facilities on the territory of nuclear power plants where nuclear waste may be stored for decades. The UJV came up with a procedure for "compacting" the storage facilities, which makes it possible to extend the period of storage by additional decades. Such a storage facility is already under construction at Temelin and Mochovce. Engineer Hrazdil assured me that by "compacting storage facilities" savings of approximately Kcs1 billion will be realized over the original solution. The basis of compacting is a new technology producing a boron-steel alloy for the production of the absorption containers in which fuel cells are stored. If the long-term storage of radioactive materials is to be accomplished, then the most promising method appears to be the method of vitrification—special technologies used to pour the waste material into glass to thus prevent its permeability. In this case, cooperation with France is looking very promising.

Every design for a nuclear power plant must also contain a portion having to do with its liquidation. At the same time, it is anticipated that each kilowatt-hour of power produced will be more expensive by one-tenth of a heller, which would not be an undue burden on the consumer, but the cumulative amount is intended to cover necessary future costs connected with the processing of radioactive waste.

In the event nuclear waste material is stored, however, there is also an immediate need for better information in the hands of the public than has been customary thus far, not to mention the actual safety of the storage facility. The lack of confidence on the part of the population is then justified, as was the case with the Kozel na Berounsku quarry, where a "black repository" of low radioactive waste was uncovered in 1990 as the result of a scandal.

The Level of Czechoslovak Nuclear Physics

There are many areas in which we are behind the developed world. However, this cannot be claimed for the level of our nuclear physics. It remains a fact that the development of this discipline was facilitated in its beginnings by a transfer of technologies and scientific capacities from the USSR. Of course, in no event can one speak of the fact that Czechoslovak nuclear research was somehow dependent on Soviet nuclear research. In this respect, our scientists were and are equal partners of Soviet specialists. In evaluating our nuclear physics, there is talk of a European level, and in many areas of theoretical physics even of a peak world level. It is obvious that some projects exceed the opportunities at the disposal of a single country and, therefore, coproduction is required. Western firms are interested not only in penetrating our area, but also in utilizing our research. An example of that could be the interest of the Swedish ABB company, which is establishing contacts with the Italian Government involving the opportunity to build one or more PIUS (Swedish reactor) units in Italy and wishes to utilize our capacity for that project.

Are We Capable of Producing an Atomic Bomb?

It is this question precisely that crops up in the lay public in conjunction with the level of Czechoslovak nuclear physics. The answer is yes, our scientific potential is capable, theoretically, of mastering the design of an atomic bomb. It is already known today by what method it is possible to propose fissionable material so that the combination of two subcritical masses would result in a critical mass and bring about a chain reaction. However, it is something quite different to handle the design and technical aspects. Because Czechoslovak nuclear research was devoted exclusively to civilian projects, there was no interest in the military area (the Soviet Union maintained a monopoly on nuclear weapons), that question appears to be only a bit academic. And last, but not least, we had a problem involving fissionable materials, because our nuclear power plants do not produce material which is suitable for nuclear weapons. The only A1 reactor at Jaslovske Bohunice, which is capable of supplying such materials, was sidelined in 1977 after five years of activity.

We are now following the opposite trends—in other words, how to utilize materials that can be obtained from nuclear weapons, particularly enriched uranium and plutonium, so as to render them harmless. There are arsenals of nuclear weapons, which are good for nothing, and we can destroy these fissionable materials only in one way, namely by utilizing them in a nuclear reactor. The UJV is now developing an immense initiative aimed at permitting it to participate in the process of recreating fissionable materials into materials for nuclear reactors. Our VVER 440 and VVER 1000 reactors require enriched uranium to operate. It is enriched only by a factor of several percentage points, but there is the

opportunity to comingle material from nuclear weapons with natural uranium and to then burn this material in the reactor.

Nuclear Reactors on the Territory of the CSFR

If the nuclear reactors at Mochovce (four reactors) and Temelin (two reactors) are going to be completed, our territory will have 19 nuclear reactors. Currently, four reactors are operational at the nuclear power plant at Jaslovske Bohunice, four at Dukovany, a training reactor is at Prague Troja, and a training reactor is at Plzen. Next, there are two reactors at Rez near Prague. The A1 reactor at Jaslovske Bohunice is down and other reactors which are candidates for being sidelined include the training reactor at Plzen and two obsolete V1 reactors at Jaslovske Bohunice (at the latest, by 1995).

Subsequent Utilization of Czechoslovak Nuclear Research

Our nuclear research is not restricted solely to energy. In close collaboration with the UJV, employees of the UJV are working on the utilization of neutron radiation in diagnostics, or possible therapy involving some types of brain tumors. Also, research and production of radioactive pharmaceuticals and radionuclides for the health industry is going on. Moreover, there is production of doped silicon for the electronics industry. At the UJV, nuclear material is also checked for purposes of guarantees on request and in collaboration with the International Atomic Energy Agency in Vienna, and activities involving the irradiation of historic monuments for purposes of their conservation, the use of ionizing radiation in industry, agriculture, and particularly in the health industry, are also not negligible.

A priority for the Institute of Nuclear Physics of the Czechoslovak Academy of Sciences is the study of the characteristics of the atomic nucleus and its interactions. The institute has at its disposal a Model U-120M cyclotron (a particle accelerator), which was manufactured 15 years ago at Dubno near Moscow. Despite the fact that this is not the most modern accelerator, the institute is the key workplace for our basic research and enjoys unusually broad international cooperation. The UJV is participating in the all-European system of variously coordinated projects, many of which are actually accomplished directly in this institute thanks to the scientific potential and to cost advantages.

The institute is engaged not only in basic research, but also works on research applications. They include chemical analyses conducted with nuclear physics methods and irradiation work involving the cyclotron. The applied activities account for about one-third of the cyclotron's operating time—for example, for the production of radioisotopes, which form the foundation for radioactive pharmaceuticals. As another example, I can list experiments involving the irradiation of cellular material; these studies are designed to examine the

mechanisms of cellular changes following irradiation—which has to do with the protection of astronauts in cosmic space.

However, basic research cannot be restricted on the basis of the absolute prioritization of applications because in restricting theoretical research, the circle of development would be closed after the application of the research results. Today, the area of study involving so-called quarks, which are supposed to be the fundamental building blocks (which have thus far not been isolated) of particles—for example, protons, is exceptionally interesting. Of similar interest and unusual in its character is “work involving antimatter.” For 60 years, a particle with an opposite charge than the electron—in other words, a positron—has been known to exist. Thanks to particle accelerators, we are now capable of “producing” antimatter even though only in extremely small quantities. The discovery of the positron, however, made possible the development of emission positron tomography, which is used in diagnosing the human brain. The UJV is also participating in that project.

Current Situation in Education, Research Surveyed

92CH0869A Frankfurt/Main FRANKFURTER ALLGEMEINE in German 18 Aug 92 p 23

[Article by Rainer Floehl: “A Strange Intellectual Weakness”]

[Text] Prague's scientists appear to be paralyzed by perplexity and resignation. While they are a group of active, reform-minded researchers, the majority are descending into lethargy. Rudolf Zahradnik, the director of the Heyrovsky Institute for Physical Chemistry and Electrochemistry in Prague, considers his country to be suffering from a severe illness, sort of a spiritual AIDS infection, which, he says, is affecting some well-educated people who would be capable of accomplishing some worthwhile things. They are lacking in internal, driving force. This might be based on the fact that the societal “transformation,” despite all the reconstruction, is still dominated by disintegration. The dissolution of the Czechoslovak Republic is a characteristic sign of this. The difficulties arising therefrom are likely to make the poor conditions afflicting science even worse.

Czechoslovakia had long been one of the leading cultural nations. In the early part of this century, science and industry were highly developed; they really flowered immediately after the state came into being in 1919. Charles University is the oldest institution of higher education in Central Europe; the Prague Technical University was the first institution of its kind on the continent. This great tradition was abruptly interrupted by Hitler's invasion. In 1939, the universities were closed down; many eminent scientists emigrated. When the communists came to power in 1948, new purges took

place; many “bourgeois” professors became their victims. A number of them were able to switch over to the institutes of the Academy of Sciences.

Additional purges occurred after the end of the Prague Spring in the early 1970's in the universities and academies. The universities in particular lost their vitality as a result. In addition, research was mostly transferred to the Academy, using the Soviet model. The universities deteriorated into mere training institutions. But even academic research failed to fulfill the ideological promises. Under socialism, the main reason for strongly supporting the sciences was the belief that discoveries would of necessity translate into industrial success; all progress in basic research would, by way of applied research, immediately result in a useful product. In actual practice, this belief proved to be a dream which had a severe impact on the population.

Polymer chemist Otto Wichterle, the acting president of the Academy of Sciences, who twice fell into the communists' disfavor, blames this disappointment for the loss of confidence suffered by the sciences. It comes as no surprise therefore that science in Czechoslovakia was held in low esteem during and after the velvet revolution. It receives only marginal attention. The new policy of economic renewal, which is entirely market-oriented, makes this situation even worse. Inasmuch as intellectual work produces no economic profit, the limited funds available need not be wasted on science, in the opinion of many people in Prague these days. We can do without research for at least a few years. After all, the universities were closed during the German occupation, too. This attitude is arrived at easily enough, because its consequences are not immediately noticeable.

Despite all these adversities, the universities and academic institutes are still functioning to a certain extent; however, the lag in procuring new equipment—and thus the failure to keep up with international standards—can be remedied only very slowly with the funds currently available. Foreign assistance is a must. This applies not only to financing research, but especially to establishing an independent scientific culture. In contrast with east Germany, which is being remodeled in the west German image, Czechoslovakia must first determine the objectives, the tasks of the individual partners involved—state, politics, and science.

Which system is appropriate for the country (which has for some time in Prague meant only Bohemia and Moravia)? At present, several foreign models are competing with each other: American, French, and German. The attractiveness of the American model is evident. American means free, democratically dynamic; in Prague, on the other hand, anything connected with bureaucracy is suspect, even if it comes from France.

The fact that freedom and democracy have their limits can be seen these days at Bohemian and Moravian universities. They were given back their autonomy only six months after the revolution. This strengthened the

power of the faculties to such an extent that higher-priority interests can hardly be imposed at universities any more. For this reason, the authority of presidents and deans is to be increased. Also, the faculties' autonomy made it possible for the old personnel structures largely to survive. While a considerable number of incriminated directors of institutes and heads of clinics have been replaced, there is little change within the academic mid level. A misinterpreted social considerateness is just as much of an obstacle to a more decisive personnel policy as is reverence for democratic decisions. No reforms that would be a threat to entrenched positions can be expected to come from the holdover committees.

This eliminates the possibility of a thorough personnel shakeup. This means that for lack of funds even superior young scientists cannot find jobs, as indicated in an interview by Cyril Hoeschl, dean of the third medical faculty of Charles University. Added to this are obscure, often contradictory regulations. Thus clinics are forbidden to accept funds from the pharmaceutical industry; on the other hand, the Health Ministry has no money for therapeutic research.

In view of these conditions, the most talented researchers leave the country: the brain drain [preceding term published in English] is already reaching the level of what happened in the FRG during the late 1960's. The severity of the competition for jobs was recently described by the director of the Institute for International Relations of the Foreign Ministry in Prague, former dissident Pavel Seifert, during a science press conference in Bonn. By now the third generation of scientists is unable to spread its wings, said Seifert. The young people, who are full of energy, are joined by people in their sixties, who still want to try to achieve something, as well as those in their forties and fifties, who think they still have a chance. What will be the fate of the brand-new, unencumbered fourth generation, which is in the process of graduating?

One remedy would be to enlarge the universities. So far as the number of students is concerned, Czechoslovakia is last on the European list; but no one knows how such an enlargement could be financed.

Following the revolution, there was great disagreement about the fate of the Academy of Sciences. Many people were in favor of doing away with it entirely and of transferring the institutes to the universities where, in contrast with the technical universities, hardly any research was going on any more. This radical demand arose from the strong politicization of the Academy, which had employed many unqualified party members, but also from the powerful bureaucracy which had grown up over the years.

By now the Academy has more or less disappeared as an institution. It had a number of predecessors: The first scientific society in Prague was founded in 1771. In 1890 the famous physiologist, Jan Evangelist Purkyně,

founded the Bohemian Academy for Sciences and Arts. It is now slated for resurrection as a society of scholars. Only about 70 institutes remain of the communist Academy; social sciences have been eliminated; economic sciences are still subject to discussion. The other institutes, including laboratories of former international renown, such as the Institute for Biochemistry, the Institute for Polymer Chemistry, or the Heyrovsky Institute, are looking for new sponsors. Even dissidents like Seifert believe that this heritage should be handled carefully and not dismantled in a hurry. There are some suggestions of founding an organization similar to the Max Planck Society for several institutes. The interdisciplinary institutes could continue to exist as independent centers. One hears that the smaller institutes are considered most suitable for incorporation into a university.

In the overall picture, said Zahradník, in Bonn, research in the old Czechoslovakia was not a catastrophe, but nothing brilliant either. In the Academy, he said, there are many scientists who could immediately assume leading positions. The reform of the Academy institutes is made more difficult, according to Zahradník, because it is still pervaded by a "union mentality": The old guard wants to hang on and, as is the case at the universities, there is no pressure for getting rid of incriminated people because the emphasis is on democratic procedure and a desire not to create new victims.

Complaints about the insufficient transformation of the old establishment continue to give the impression of stagnation. This makes for a distorted picture because in places where the old fortresses were demolished reforms continue to thrive. This is true of the university presidents and the deans, but also for the government and the ministries, even if they do not consider support for science to be a high-priority task. Surely, developments here are proceeding much more slowly than in the former GDR. But anyone talking to leading physicians and scientists in Prague can sense their determination once again to achieve an international reputation and to continue the great tradition of the period between the two world wars. This makes for a pleasant break in the economic boom which has seized the city and, to a lesser extent, the rural areas.

Efforts in Environmental Upgrading Detailed

92CH0870A Prague EKONOM in Czech
No 31, 1992 pp 24-25

[Article by Stanislav Palas: "How Much Shall We Invest in the Environment?"]

[Text] The accumulated problems in the sphere of ecology make our country one with some of the worst environmental conditions in Europe. Improving this situation will therefore be a costly and time-consuming process.

The statistics for capital investments have been systematically tracking the means expended on capital construction in the area of environmental protection since 1981 under the program for specifically targeted construction projects. The data are collected separately for construction projects realized for:

- Protection of clean water.
- Protection of clean air.
- Use and disposal of waste.
- Soil reclamation needed because of mining activity, waste dumps, and scrap yards.
- Former government goal-oriented program 12—creation and protection of the environment (since 1991, this has not been tracked as a separate group).

We can document an overall progressive trend in investment expenditures for environmental protection by data collected since 1981:

- From 1981 to 1985, expenditures for environmental protection amounted to a total of 8.9 billion Czechoslovak korunas [Kcs] (1.14 percent of the entire volume of investments); 65.2 percent of that amount went to clean water actions, 18.0 to clean air actions, and 16.8 for actions involving the use and disposal of waste.
- From 1986 to 1990 Kcs25.6 billion (2.81 percent of the total volume of investments) already was used for environmental protection. In the year 1990 alone the volume of these investments was Kcs8.8 billion and its share in the total investments reached 4.3 percent. During these years, most of these investments were again used for the protection of clean water—about Kcs14.5 billion (56 percent); less for the protection of clean air—Kcs4.7 billion (18.1 percent); and, for the use and disposal of waste, Kcs3.9 billion (15.1 percent). The rest of the ecologically directed investments were made under the former state goal-oriented program for the creation and protection of the environment.
- The expended investment work and supplies in 1991 amounted to Kcs14.6 billion, and thus represent the greatest share thus far in the total of investments that was ever reached, that is, 7.6 percent. Even though the year 1991 was characterized by a marked decline in the total volume of investments (by about 36 percent) in comparison to the previous year, the volume of investments for environmental protection rose by 8.3 points, mainly as a result of the increased investments in the Slovak Republic.

The structure of the investments from the standpoint of targeting the areas we have been keeping under review is beginning to change. Although in 1991 the investments for the protection of clean water were predominant—Kcs7.2 billion (49-percent share in the total investments)—Kcs5.4 billion (37 percent) was spent for the protection of clean air, which represents a significant increase of investments for this area; the increase was a full 9.8 points in comparison to 1990. The least was spent on investments for the use and disposal of waste

(Kcs1.8 billion—12 percent) and for soil reclamation (Kcs232 million—2 percent).

Construction Projects for Environmental Protection

Besides the overall data on investments for the environment, statistics are keeping track, by means of the so-called construction register, of individual construction projects for the protection of the environment with budgeted costs of more than Kcs5 million.

This group of construction projects is a sufficiently representative selection which makes it possible to reach general conclusions for the entire sphere of capital construction for environmental protection, because construction projects in the construction register comprise about an 80-percent share of the entire national economy (measured by the share of budgeted costs).

The level of investments in the Czech Republic in 1991 stayed roughly at the same level as in 1990. There are, however, differences among the individual krajs: On the one hand, the greatest drop in investments is noted in the South Bohemian Kraj (by about Kcs450 million) and in the North Bohemian Kraj (by about Kcs200 million), but on the other hand the North Moravian Kraj shows an increase in the expended investment work and supplies (by Kcs500 million).

In the Slovak Republic the range of changes in the amount of expended investments is influenced considerably by the increase by almost Kcs1.4 billion in the Central Slovakian Kraj. The high investments in this kraj are the result of the inclusion of the construction project connected with the modernization of the aluminum works in Ziar nad Hronom, where a sum of almost Kcs1.3 billion is involved. That is also the main reason why the share of investments in the Slovak Republic grew so markedly (by 7.5 points) in comparison to the Czech Republic.

As far as the flow of investment into the individual most affected areas of CSFR are concerned, priority is given to the North Bohemian Kraj (with a share of 12 percent for CSFR) and the North Moravian Kraj (with a share of 13 percent for CSFR). Somewhat behind expectations is Prague, which is comparable to the North Bohemian Kraj as far as environmental pollution is concerned, but, of course, investments here represent only 6 percent of the total investments in CSFR.

Both extremes, as far as the distribution of investments by krajs within the framework of CSFR is concerned, appear in the Slovak Republic. Because of the investments in the Ziar Basin, the 23 percent of the Central Slovakian Kraj represents the absolute highest share for CSFR; on the other hand, the situation in Bratislava, where investments do not reach even 3 percent (2.6 percent) of the share for CSFR, looks unsatisfactory.

Since 1986, the number of completed construction projects has been increasing, with small fluctuations. On

the average, 38 construction projects with average budgeted costs of Kcs1.9 billion were in the process of being completed in 1991, and 88 construction project with budgeted costs of Kcs2.9 billion were completed in 1991 (which represents the absolutely highest number of construction projects that was ever completed in the course of one year). Predominating among the finished construction projects are constructions for the protection of clean water (altogether 50 construction projects in the amount of Kcs1.8 billion). Construction projects for clean air actions as well as construction projects for the use and disposal of waste are roughly at the level of one-third of this volume.

Data on construction work begun in 1991 confirm an increased activity and a far more progressive trend than is the case in construction projects that are in the process of being completed. In 1991, 134 construction projects were started with total budgeted costs of Kcs9.2 billion (in 1990 there were 138 construction projects with budgeted costs of Kcs9.1 billion). Even in the construction projects being started there is a predominance of construction work for the protection of clean water, of which 73 with budgeted costs of Kcs4.8 billion were started. In 1990 as well as in 1991, there was a significant increase in construction starts for the protection of clean air: 32 were started with budgeted costs of Kcs2 billion in 1990. In 1991 there were 37 with budgeted costs of Kcs3 billion.

Expended Construction Work and Supplies in Kcs Million (in 1991 prices)

Republic	Total			For Environmental Protection		
	1990	1991	Index	1990	1991	Index
CSFR	299,356	191,527	64.0	13,527	14,643	106.3
CR	203,118	128,525	63.3	9,436	9,376	99.4
SR	96,238	63,002	65.5	4,091	5,267	128.7

Completion of Ecological Construction Projects

The development of investments in 1992 and in the following years will depend primarily on securing sufficient financial means—whether created in CSFR or obtained from abroad—for financing ecological construction work. On the basis of data on projects under construction at the end of 1991, we can characterize the starting situation for 1992 and attempt to estimate the progress of completing these ecological projects.

On 1 January 1992, there were 532 projects under construction with budgeted costs in the amount of Kcs48.8 billion. The remainder of the budgeted costs for these construction projects represents the amount of Kcs27.2 billion, which means that 55.7 percent of the costs still remain to be used up in these construction projects. Assuming the same intensity of investments as in 1991 (Kcs10.9 billion a year) this remainder, adjusted by the impact of price liberalization, theoretically represents enough work for 3.5 years.

As far as financing these projects is concerned, 23.6 percent comes from the investors' own resources, 10 percent from loans, and 47 percent from grants from state funds and the state budget. We can therefore estimate that in order to finish the projects under construction the investors will request state financing in the amount of about Kcs16.5 billion.

As far as targeting these capital constructions is concerned, in 1992 projects for the protection of clean water predominate with a 59-percent share of all ecological constructions. An upward trend is noted in constructions for the protection of clean air. On 1 January 1991, the share of these constructions rose by 7.7 points in comparison to the previous year (with a large share in the

Slovak Republic—an increase of 5 points), on 1 January 1992 this increase was 5 points (in contrast with a large share in the Czech Republic—an increase by 5.3 points). In the case of constructions for the use and disposal of waste, the situation remains roughly at the level of previous years (decline by 0.4 points).

As far as territorial distribution of these construction projects is concerned, the greatest increase by 7 points in contrast to 1 January 1991 is registered in the North Moravian Kraj as well as in the increase of the Czech Republic share by 4.3 points in comparison to the Slovak Republic, so that constructions in the Czech Republic represent almost 66 percent of the total CSFR expenditures. In the most affected regions the situation in capital construction is not improving.

Neither is the situation improving as far as the expected completion of the construction projects is concerned. Even though in 1991 there were 88 construction projects completed at the cost of Kcs2.9 billion, the practice of postponing the completion of the construction to later years continues. The structure of projects under construction according to assumed times of completion shows how unrealistic were the projections expressed by investors at the end of 1991. After all, in 1992 alone there should be 231 construction projects completed for Kcs14.8 billion. If we add to this the construction projects that still remain unfinished from previous years, we arrive at an entirely unrealistic assumption. Putting ecological capacities into operation will therefore be certainly postponed, naturally depending on the financial resources created for these construction projects. Unless there is a radical change, then just finishing all the projects under construction (without starting new ones) will go on until 1995.

**Summary of Expended Investment Work and Supplies
for Environmental Protection Construction Projects**

Kraj and Place of Construction	Total Executed Investment Work and Supplies (in Kcs million; 1991 prices)			Share of Individual Krajs in Total Investments (in percent)		
	1990	1991	Difference (1991-92)	1990	1991	Difference (1991-92)
Prague	635	684	49	6.46	6.34	- 0.12
Central Bohemian Kraj	532	476	- 56	5.41	4.41	- 1.00
South Bohemian Kraj	947	493	- 454	9.63	4.84	- 5.07
West Bohemian Kraj	362	523	161	3.68	4.84	1.16
North Bohemian Kraj	1,533	1,291	- 242	15.60	11.96	- 3.64
East Bohemian Kraj	1,011	908	- 103	10.29	8.41	- 1.88
South Moravian Kraj	760	750	- 10	7.73	6.95	- 0.79
North Moravian Kraj	924	1,430	506	9.40	13.25	3.84
Czech Republic Total	6,704	556	- 149	68.21	60.72	- 7.49
Bratislava	353	284	- 69	3.59	2.63	- 96
West Slovakian Kraj	507	537	30	5.16	4.97	- 18
Central Slovakian Kraj	1,161	2,531	1,370	11.81	23.44	11.63
East Slovakian Kraj	1,104	889	- 215	11.23	8.23	- 3.00
Slovak Republic Total	3,125	4,241	1,116	31.79	39.28	7.40
CSFR Total	9,829	10,796	967	—	—	—

Information about capital construction with an ecological goal represents only one of the partial aspects of solving these problems. Capital investment is and always will be one of the most important indicators expressing the activities leading to the correction of the poor condition of the environment. That is why I consider it important to know the development of investments in this area for the past several years.

For the longer term, it is important that the volume of investments for the protection of the environment be constantly increasing. The increase of 8.3 points in 1991 is particularly significant considering the overall decline of investments in the total national economy (by about 36 percent).

During the past two years there has been a noticeable increase in the share of the very much needed construction projects for the protection of clean air (in 1990 by 7.7 points, and in 1991 by 5 points), and the next most numerous construction projects either under construction or planned are those for the protection of clean

water (59 percent). Since 1990 there has been a decline of 1.6 points in the number of construction projects for the use and disposal of waste.

From the territorial point of view, the Czech Republic has a 68-percent share of the total ecological capital investments, the Slovak Republic 32 percent. Most of the means (calculated by the share in CSFR) in the Czech Republic is directed to the North Bohemian Kraj (about 13 percent) and the North Moravian Kraj (about 14 percent), in the Slovak Republic explicitly to the Central Slovakian Kraj (about 21 percent). Prague and Bratislava are not treated preferentially from the point of view of investment expenditures, and are placed at the level of other krajs with far better environmental conditions.

The key problem of further capital investments for environmental protection are financial resources. Whether we shall be able to create sufficient resources ourselves is hard to predict today. If means are going to be found at the same rate as at present, a significant improvement in the condition of the environment by the end of the century will be a very difficult task. Means must therefore be found now, either in the form of international loans or domestic credit. A resolute approach is called for, but so far the developments in capital investments do not show that resoluteness.

Hungarians Split in Reaction to Meciar's Program

Civic Party's Accusations

92CH0842A Bratislava SZABAD UJSAG in Hungarian
17 Jul 92 pp 1-2

[Unattributed article: "Hungarian Civic Party Chairman Laszlo A. Nagy Asks, 'Who Represents the Hungarians in Slovakia?'"]

[Text] "Who can represent the real interests of the citizens of Hungarian nationality in the Slovak Republic when the parliamentary representatives of the MKDM [Hungarian Christian-Democratic Movement] and the EPM [Coexistence Political Movement] have endorsed the Slovak Government's program, which extends the state's influence into all spheres?" asked Chairman Laszlo A. Nagy yesterday at the MPP [Hungarian Civic Party's] Pozsony [Bratislava] press conference. In this connection, he mentioned the planned modification of the land bill and the language bill. (See the MPP's statement.)

According to the MPP, the Slovak statement of sovereignty constitutes the foundation for creating a nation-state. The MPP rejects that declaration because of its concern regarding the guarantees for the rights of national minorities. The Hungarian Civic Party requested the Slovak National Council to approve the modification proposal regarding the legal status of the minorities that was submitted by the MKDM and the Coexistence Political Movement. (The MPP's call upon the representatives of the Slovak parliament is featured separately.)

Laszlo A. Nagy corroborated that his party is not planning any changes of personnel. At its 18 July meeting in Leva, the republican council will discuss the documents regarding the party's future activity and will take a stand in connection with the political situation in Slovakia.

In talking about the visit of Gyula Horn, chairman of the Hungarian parliament's Foreign Affairs Committee, with the Slovak National Council, Nagy said that his party was not surprised, adding that "he no doubt found some views that he could share with the Movement for a Democratic Slovakia and the Party of the Democratic Left." He also expressed his surprise and regret that Gyula Horn did not meet with leaders of the Hungarian parliamentary parties.

Civic Party's Statement

92CH0842B Bratislava SZABAD UJSAG in Hungarian
17 Jul 92 p 1

[Statement issued by the Hungarian Civic Party: "Statement"]

[Text] We were shocked in reading in the parliamentary report in the UJ SZO's 16 July 1992 issue that representatives of the Hungarian Christian-Democratic Movement and the Coexistence Political Movement did not vote against the Slovak Government's program. We find

this behavior strange, so much the more as it was this administration that had promised a modification of that part of the land law which affects the Hungarians, the preparation of a new language bill, and the extension of the state's influence into all areas of life.

The question inevitably arises: Is this in congruence with the interests of Hungarians in Czechoslovakia? What interests hide behind this stance?

The Hungarian Civic Party [MPP] strongly protests against the intention of the government's program to curtail our democratic achievements, to increase state intervention, and to limit minority rights.

—Laszlo A. Nagy, chairman of the MPP

Christian Democrats' Stance

92CH0842C Bratislava SZABAD UJSAG in Hungarian
17 Jul 92 p 1

[Unattributed article: "Bela Bugar on the Abstention in Parliament; Meciar Has the MKDM's Partial Support"]

[Text] According to chairman Bela Bugar, the MKDM [Hungarian Christian-Democratic Movement] endorses certain parts of the Slovak Government's program and, for this reason, the MKDM's parliamentary representatives did not vote against the document's approval, but merely abstained.

In his statement given yesterday in Pozsony to the Czechoslovak Press Office correspondent, Bela Bugar also replied to Prime Minister Vladimir Meciar's statement that the MKDM and the EPM [Coexistence Political Movement] do not represent the Hungarian minority. Bugar noted that 280,000 of the 350,000 Hungarian voters cast their ballots for the Hungarian election coalition. On this basis, Bela Bugar raised the question as to who, then, the real representative of the Hungarian minority is.

Charges Denied

92CH0842D Bratislava SZABAD UJSAG in Hungarian
20 Jul 92 p 1

[Statement issued by the Coexistence Political Movement and the Hungarian Christian Democratic Movement: "Statement by the EPM and the MKDM"]

[Text] In the 17 July 1992 issue of the SZABAD UJSAG, a report on the MPP's [Hungarian Civic Party] press conference appeared under the title "Who Represents the Hungarians of Slovakia?" We were shocked to learn that the legitimacy of the Hungarian coalition's representatives is being questioned not only by the DSZM [Movement for a Democratic Slovakia] but also by MPP chairman Laszlo A. Nagy. We were even more surprised that he presents an argument that is not true, namely, that "parliamentary representatives of the MKDM [Hungarian Christian-Democratic Movement] and the EPM [Coexistence Political Movement] expressed their

approval of the Slovak Government's program." Moreover, a statement was also published in connection with this question in which they expressed their consternation that the coalition's representatives did not vote against the program. However, neither the report on the press conference, nor the statement reveals how representatives of the coalition really voted and spoke.

Both in general and specific terms, representatives of both the MKDM and the EPM criticized the government's program and abstained from voting, i.e., they did not "express their approval."

We are sorry to have to say that the MPP is resorting again to deceit. This is cause for concern, especially in the present situation in which democracy and minority interests would suggest cooperation.

17 July 1992

The Club of EPM and MKDM Representatives

State Secretary Katona Views Political Scene

92CH0822A Budapest NEPSZABADSAG in Hungarian
25 Jul 92 p 9

[Interview with State Secretary Tamas Katona by Katalin Bossanyi and Lajos Poganyi under the rubric "Cross Fire"; place and date not given: "We Have To Come Out of the Communication Ghetto"]

[Text] *Tamas Katona sets a new tone by saying, for example, "The government is wrong in arguing that its politics and the situation itself are not as bad as claimed (by the critics). The government should instead talk about what it plans to do." The MDF [Hungarian Democratic Forum] has recognized the necessity to change its propaganda methods: It seems that the new slogans, in addition to "A sense of mission," are openness and a good relationship with the press. Responsibility of the "top" political state secretary is to form the image of the cabinet and sell the politics of the coalition to the public. That is the God-given talent of this charming historian. Tamas Katona was born in 1932 and got a degree in history at ELTE (Eotvos Lorand University of Science, Budapest). A professor at Szeged, he worked together with Gyorgy Konrad, Gyorgy Bence, and Ferenc Koszeg at the publishing house Europa. He is enchanted by the last century, so his research has been focused on the reform era and the liberation movement (1848). He is chairman of the Madach Circle in Vac and congressman of the MDF in the second district of Pest County.*

[NEPSZABADSAG] Shortly after your nomination as political state secretary of the Prime Minister's Office, in a radio interview you said that "I came out of the trenches and started shouting over to the other side." Do you think that other members of the government will follow your example?

[Katona] I hope so. At least I will ask the other political secretaries to shout like I do. I am well aware, of course,

that individual talent is required. The government has to break out of the communication ghetto.

[NEPSZABADSAG] Why do you think the government got into this communication ghetto?

[Katona] To tell you the truth I don't know, but I don't care either. All I see that it exists and we need to eliminate it. I will only investigate the case after I retire.

[NEPSZABADSAG] One of your responsibilities is to form the image of the government. You said that you don't want to become a "supermouth." How would you describe the image of the government right now?

[Katona] I think that we have to create an image for the government for both domestic and foreign use. The ministries disregarded this very important challenge. In my opinion, however, we shouldn't paint a rosy picture about the country and the government. We have to present a true picture.

[NEPSZABADSAG] What is this true picture?

[Katona] There is, after all, a functioning political democracy in the country, and the fact that people are worried about it is the best proof of its existence. Nobody has to worry that the government or the MDF will threaten the democracy; we are trying hard to implement it, instead of destroying it. The political stability of the country is partly due to the fact that the economy in a way reacted to the extremely grave situation we inherited. We overtook a collapsing economy as it reached the limit of its creditworthiness.

[NEPSZABADSAG] At the same time you also inherited a developing market economy. This was even acknowledged by the prime minister.

[Katona] Before the elections, there were two strategies against the MSZMP. A theoretical one was the big bang therapy of the SZDSZ. Today they already distance themselves from it and this pleases me very much. If they came to power and implemented their ideas, then in one year there would be 1 million unemployed and we would become a Latin American-type country.

[NEPSZABADSAG] Now there will be 1 million unemployed in two years....

[Katona] The sinking of the economy will come to a halt, 25-30 percent of the GDP has already been produced by the private sector. There are thus tendencies one cannot overlook. A practical approach of the government has the only chance to be successful. As far as I can see none of the opposition parties has a very different alternative. All I can sense is a difference in the pace of the economic programs of the parties.

[NEPSZABADSAG] Do we understand it correctly: You said suppose the SZDSZ comes to power? Meaning you are ruling and not governing the country?

[Katona] I was talking about a situation in which they came to power, and that would have happened if... I have always considered the Marxist background of the SZDSZ dangerous. By the way, not having enough people to do the job is not only a problem of the government, but of the opposition as well. They are in a better position because they can spend more energy to build their party, and they can spend more time to prepare themselves for the elections.

[NEPSZABADSAG] Let's go back for a moment, because I'd like to see it clearly: You are ruling and not governing?

[Katona] Do you have any other illusions?

[NEPSZABADSAG] From time to time we experience tendencies of this behavior.

[Katona] The government has to talk about its intentions so nobody could form notions like this if not by malice. The role model for this government is the Western-type democracy at its best. The developing democracies try very hard to create more than necessary constitutional guaranties, and this could paralyze the whole system as it happened with the media.

[NEPSZABADSAG] You mentioned before that the government inherited lots of economic problems. Shouldn't you concentrate on those and not issues like the media? The public gets more and more irritated about this.

[Katona] The government is focusing on the economic issues, but the creation of a media law is also very important.

[NEPSZABADSAG] Primarily this is up to the government....

[Katona] I don't think that this is up to us.

[NEPSZABADSAG] Who do you mean by us, the government or the MDF?

[Katona] The government.

[NEPSZABADSAG] Don't you think that the right wing of the MDF and the KDNP [Christian Democratic People's Party] is able to force the government to stall the media law?

[Katona] I don't think so.

[NEPSZABADSAG] What is your opinion on the statement by Ferenc Kulin, chairman of the Cultural Committee of the parliament, who said: "Commissioners could be designated to the Television and to the Radio."

[Katona] I don't think we could do that. The government has no intention to do so. We would like to find an ointment to the venomous situation. This is what Ferenc Kulin came up with, but I don't agree with him. The government tries to prove how important the media law

is for us. Right now my feeling is—and I wish to be proved wrong—that the opposition's slogan is to be uninterested in this issue.

[NEPSZABADSAG] Isn't it the government's interest not to pass the law?

[Katona] No it is not. To sustain that situation couldn't be in anyone's interest, especially not the government's.

[NEPSZABADSAG] The government decree of 1974 is coming in handy, isn't it?

[Katona] As long as we have no new laws we have to put up with the old one. Our interest is to create an independent radio and television business headed by leaders who are nominated based on a consensus. Right now there are open wounds, and the government and the opposition are constantly bleeding. These wounds have to heal.

[NEPSZABADSAG] What is the government's problem with the two leaders? Why would you want to get rid of them by all means?

[Katona] We very much appreciate the achievements of both Csaba Gombar and Elemer Hankiss as sociologists. These two great men got strangled in an apparatus with a complicated sphere of interests. Even if they started with the best of intentions, after a very short period they both lost their clear sight. Certain groups of the apparatus started to dictate instead of them. I am not saying that this same situation cannot happen within the ministries or within the forming parties—the SZDSZ or the MDF—since none of them are well-established parties yet. By the way, as a state secretary for foreign affairs I was touring the country, which I know very well. As a former ethnography researcher I visited every single village. This tour really helped me to get an idea of what the people think.

[NEPSZABADSAG] What is the mood around the country?

[Kadona] People are not happy with the difficulties of the transition period. If they don't get a reliable forecast about the future, they will lose their confidence and will withdraw from the process. The government tries to prevent this.

[NEPSZABADSAG] Is there a connection between your new job as state secretary and government politics?

[Katona] Yes, because the government is wrong in arguing that its policies and the situation itself are not as bad as claimed (by the critics). The government should instead talk about what they plan to do. The tactics of following is not only pathetic but leads the government to a dead-end street, where they have to speak about issues the other party brings up. We live in a grown-up country; the government should be able to explain its intentions. The beauty of the democracy is that the Romhanyi-type extreme right wing, and the relentless members of the MSZMP, cannot deliver hundreds of

thousands to the streets. Luckily we don't face the danger of populism, which is present not only in Eastern but in Western Europe as well.

[NEPSZABADSAG] There is no such thing as populism per se; populism could be right-wing or left-wing. The MDF never talks about the danger of an extreme right wing; we can only hear about the threat of the extreme left.

[Katona] The government tries to sever itself from both extremes. If the public gets credible information, which they haven't had so far, then the situation eventually will get better.

[NEPSZABADSAG] We already touched upon how important the economic situation is concerning the government's image. Don't you think that the people get confused by the three or four economic programs circulating? It doesn't do any good to the government's image if different ministers talk about different budget deficits.

[Katona] The cabinet as a team isn't functioning faultlessly. Let me tell you about the parties: Within the MDF, the three major trends—the Christian Democrats, the Liberals, and the Nationalists—together are more meaningful than separately.

[NEPSZABADSAG] The public considers you as liberal within the MDF.

[Katona] I belong to the Nationalist wing, even if somebody is offended by this. Practically the total of the three wings should differentiate the MDF from the Christian Democratic People's Party. If the modern Christian Democratic politics are the only criterion of the MDF, then why do we need two parties?

[NEPSZABADSAG] Isn't the KDNP a modern Christian Democratic party?

[Katona] Obviously they want to prove that their politics are modern Christian Democratic politics.

[NEPSZABADSAG] Then why the two parties?

[Katona] Because the MDF is not simply a Christian Democratic party. The country has very important democratic and liberal traditions from the 19th century. However, in the politics of the government the social commitment has to play a significant role. The notion that social politics are a matter of the budget, shared by Judit Csehak and Ottilia Solt, is mistaken.

[NEPSZABADSAG] The opposition emphasizes that without reforming the state finances, no matter who is governing it is impossible to conduct effective social politics.

[Katona] It would be a major achievement if we could manage more money that is usually left over for social expenditures. The problem is that we have less money for social security than we need. We inherited an oversized budget that could not be changed quickly with a

government decree. The country's budget deficit couldn't be diminished significantly even if we eliminated the total budget of the central administration. The cost of the central administration is 12 billion forints. I see only one way to save money: by integrating the foreign networks of both the Foreign Ministry and the Foreign Economic Ministry.

[NEPSZABADSAG] You just mentioned a little while ago that the three wings of the MDF are worth more together than individually. The coalition right now is formed by three parties. How much is it worth to keep them together, and what concessions are you (the MDF) willing and not willing to make?

[Katona] The coalition works, and it is in the interest of the MDF to make the other partners feel that they have leading roles in it. It is not accidental that national security is headed by one of our coalition partners. About the other coalition party, I hope that they will be able to renew themselves, but so far this hasn't happened. I have bonds with the Smallholders because of my past. It is a big mistake that the Smallholders Party presents themselves in parliament and publicly as an assembly of old gentlemen with great prestige. The coalition has to represent the interest of the farmers and the villages. I believe that at the coalition talks we have to pay more attention to these questions.

[NEPSZABADSAG] Hopefully they will stick to their pragmatism, as you so proudly assume they will.

[Katona] I hope so.

[NEPSZABADSAG] This summer seems to be the season of letter writing, especially letters about the media chairmen. The MDF has so many highly qualified lawyers. How could you get yourself in a mess like the other day when the head of the Constitutional Court corrected the prime minister, telling him that it is not the court's responsibility to take a stand in concrete political matters. By the way, what is wrong with the Constitutional Court?

[Katona] You should ask Imre Voros or Peter Schmidt this question because, at least to me, their statements aren't very clear either. We hope that clear statements of the Constitutional Court will help to open the deadlock. I think that, concerning the media law, the opposition withdrew from the consensus, but I may be wrong, so I will get some more information on it. I negotiated the media-law bill with Miklos Haraszti, congressman of the SZDSZ, hoping to overcome the problem. It is possible that the press not only distorts the government's views but also the opinions of the opposition. That is why I could not make heads or tails out of the views of the opposition.

[NEPSZABADSAG] Talking about interpretations, please help us. How shall we interpret what the prime minister said: "Madach did not create Lucifer in order to make negation of good the guiding principle, or to make mini-Lucifers the rulers of the country."

[Katona] We are very fond of the 19th century; no wonder our examples are closely related. Our notion is that the opposition should not be confined to negativism. It is also a major mistake of the government party if it is inclined to exclusion, and if anyone who says something different immediately becomes suspicious.

[NEPSZABADSAG] It is understandable that you (the MDF) are devoted admirers of the 19th century, but you promised to lead the country into modern Europe, so you should rather start with ideas of the 21st century.

[Katona] For us the 19th century means democratic and liberal traditions. We are working hard to create a Hungary of the late 20th century.

[NEPSZABADSAG] Talking about historical legacy, isn't it a fearful possibility that the small entente will resurrect? Some statements of the government might have provoked the neighboring countries. Such as "in my soul I am the prime minister of 15 million Hungarians," or the unified Hungarian nation body, not to mention where Vojvodina really belongs....

[Katona] Misunderstanding can only be clarified if we reveal our opinion. For example, we say that the Peace Treaty of Trianon was unjust and caused a tragedy for our country. Meanwhile we also say that we have no intention to change the present borders and violate the recommendation of Helsinki. The positive intention of the government is to open up the borders and revitalize commerce, because in some areas of the country all production was oriented to the former Soviet market. I am not afraid the small entente will resurrect, because we have many more neighbors than we had at that time. We have to negotiate patiently with them, and we have to convince them of the good intentions of the Hungarian Government. It is a long but not despondent process, over which we have to do many little practical steps. For example, we do not have the same burdens in the Hungarian-Ukrainian relationship as with our relationship with the Romanians.

[NEPSZABADSAG] Could you please also explain to us the statements by the historian executive chairman of the MDF, who also happens to be the defense minister, about the unified Hungarian nation?

[Katona] One of the explanations is that we have to restore the disintegrated natural economical relationships with the neighboring countries, especially those where a Hungarian population is present.

[NEPSZABADSAG] Why do you (the government) insist on granting the possibility to vote in the next elections to Hungarians living abroad?

[Katona] This will pertain to only Hungarian citizens living abroad. It has yet to be decided about those who possess double citizenship. But their number is relatively small.

[NEPSZABADSAG] What do you intend to do about the effective representation of Hungarians living across the borders without stirring nationalistic feelings both abroad and here at home?

[Katona] At home I cannot see any nationalistic emotions.

[NEPSZABADSAG] You do not see them or they do not exist?

[Katona] You cannot find repulsive passions like in some other countries. After the Yugoslav tragedy in 1992, Europe finally understood that unsolved national problems are politically dangerous. The easygoing bipolar Europe has ceased to exist. Our job is to clear up the prejudice against us, and in bilateral talks we will succeed, if we haven't already. By yelling, pulling out our hair, or by bragging we can't go anywhere. The economic relations mentioned above are extremely important, because by them we are able to help Hungarians living outside our borders. There is no need to give suggestions to the Hungarian organizations in the neighboring countries; they know better than we what to do. We do not seek the isolation of any neighboring country because we know very well what happened in the isolated Germany before the war, or in Romania during the Ceausescu regime. The neighboring countries should learn from our experiences, or mistakes. Do better than we did. We shouldn't live among enemies, but natural allies.

[NEPSZABADSAG] People often say that they don't care about ideology or party politics. The citizens are concerned about job security, whether they can raise their children, whether there will be a war.... What can you tell them?

[Katona] There are some reassuring signs in the economy. At the same time I would like to protect my colleagues and the country from being too optimistic; let's not start making campaign promises. I am sure that if in four years the worst is over, then this government did what it had to do. And I am not afraid of a war.

[NEPSZABADSAG] There are almost two years until the elections. Don't you think that the parties have already started their campaigns?

[Katona] You can do whatever you will against it, but the situation is as it is. The job of the opposition parties is to push their ideas through the cracks of government politics. You can find crazy people in every party, but no politicians of common sense, affiliated with any party, would identify themselves with their statements. I hope that in the next two years people will regain their interest in politics. A major problem is that the government failed to take a stand concerning unions, and this is very important. We have to compensate.

Fur on National Values, MDF Prospects, Goncz

92CH0801A Budapest MAGYAR HIRLAP
in Hungarian 11 Jul 92 p 9

[Interview with Defense Minister Lajos Fur, executive chairman of the Hungarian Democratic Forum, by Dezso Pinter; place and date not given: "I Hope Emotions Will Calm Down"]

[Excerpts] [Passage omitted]

[Fur] What is the meaning of "a more Hungarian world" in my book? That world is identical with the national character of the Hungarians, with the past that we have taken upon ourselves and now have to follow. Our goal is to create a Hungarian world that will fit into the universal European political and human value system but includes everything that makes us a unique nation. There is still a great deal of confusion about this concept. There are some people—not abroad, but right here, in Hungary—who will cry nationalism when somebody publicly refers to specific Hungarian interests which do exist and call for action. You will find these interests all over the world; every nation has ideas that generate actions. Those who cry wolf don't want to listen to the second part of our explanation, that these interests do not conflict with the interests of other nations. As soon as they hear us referring to Hungarian interests, they throw their well-known charges immediately at us. I am waiting for a "more Hungarian world" to come in the interest of the minorities living beyond our borders, so they can remain in their homes and do not have to deny their language and culture, so they can live in peace as equals together with other nations. [passage omitted]

[Pinter] Let me get back to your criticism of the press: Isn't the coalition government, the government itself, providing too many opportunities to the press to make charges?

[Fur] There must be a great deal of truth in what your question is suggesting. As an insider, I cannot easily say when the government is making a big or a minor mistake. But I can sense that from time to time the government is making mistakes; sometimes it should act differently, or faster, or more firmly. It is also true that no matter what they are doing, preparing some legislation, decrees, or making decisions, they always have to act in a very hostile environment. The government—and this stands for the opposition and the citizens as well—has to act in a social and economic structure which is still developing. I don't know how many options the government will explore and how many experts it will take to make sure its actions are based on legal ground. But the law itself is a very ambiguous tool of the society, and time is needed to make an analysis, and by the time they are through the result could be very different from the original idea. The fact that for the last two years this country has had leaders with no prior experience should also be considered. Even those who were originally seasoned in law and economics by profession have to learn this job. Then there are a number of individuals

among us with very idealistic views whose intentions are not always rooted in reality and practical possibilities. These are the major factors why the government is making mistakes. My problem with the press and the media is not that they reveal these mistakes but that they emphasize only the momentary bad impressions and bad mood concerning the work of the government and everything else. Is it possible that there are so many bad things in this country? There was not one step taken in the right direction? [passage omitted]

[Pinter] I consider the changes within the MDF as a natural reaction to having become ruling party. What are the positive and negative signs of the change?

[Fur] It is an enormous burden for the MDF to be the ruling party because we had to assign many of our best people to the government; consequently the party as an organization got weaker. It is high time to open up, seek and embrace the people of high caliber, if not by recruiting, then by encouraging them to participate in the activities of the MDF. The buzzword is "high caliber." We need high-caliber people from the elite, different groups of intellectuals, as well as skilled blue-collar workers. It is not only us who need those people, but all the other parties do, including the Association of Young Democrats [FIDESZ]. All of us have to think about how the course of our present policy, Hungarian democracy, and the political activity of our society are interrelated. If we are unable to draw the proper conclusions then we won't be able to break the spell lately overshadowing all the parties.

[Pinter] You participate in a number of meetings: What is your experience, do members of the MDF want to change the party's policy from its present course?

[Fur] There is some justified discontent, or at least they see it as justified, among the members of the MDF. They say that a genuine change of regime has not yet occurred. I hear in almost every meeting that the guilty have not been called to account, that murderers and traitors of the country live happily. In the middle and lower level of society the same persons are in leading positions who have already proved to be incompetent and who have misused their authority during the communist regime. More and more bitter voices warn us that members of the old nomenclatura holding to their economic and political power started a vigorous political activity, and their major goal is to completely discredit the members of the coalition parties. Many of our members want immediate action.

[Pinter] How do you respond to this demands?

[Fur] I tell them that there is democracy in Hungary right now, and law and order prevails. It is obvious that we are not going to deal with people the way the communists did with those from the Horthy regime. I must admit that my answer didn't make everybody happy. If our members cannot get beyond this problems, if they won't concentrate on other important issues, then there is the

threat that our party becomes a sect, the MDF will isolate itself from the real problems of society. [passage omitted]

[Pinter] What lessons have you learned from the results of the local by-elections in Bekescsaba and in Oroszlan-Kisber; how do you feel about the tone of the campaign?

[Fur] Lacking information I don't want to make a judgment on the tone of the campaigns, all I know is that some people violated important political and ethical rules, partly because they didn't know them and partly on purpose. Every party has to recognize that in order to be a forerunner they don't need to crush the opposite candidate but have to convince the voters of the values of their program. I don't want to draw dramatic consequences from the fact that in both places the MDF candidate lost. Even in the West in by-elections the candidates of the ruling parties usually tend to lose. Analyzing the results in Kisber, nobody can guarantee that in the next elections the MSZP [Hungarian Socialist Party] will have similar success. Kisber was a special case because a carefully selected candidate won the elections there.

[Pinter] Gyorgy Keleti, who as spokesman was for a long time one of your closest coworkers in the Ministry of the Defense...

[Fur] I never made it a secret how much I appreciated the job he did in the Ministry, but a collegial relationship is different from the situation where we face each other as political opponents.

[Pinter] How you feel about the early preelection skirmishes, already looking to the 1994 elections?

[Fur] I'm anxious. I think certain circles made a big mistake with this early start. The parties won't be able to keep up with the pace; a campaign should be carefully planned politically and psychologically. The time has not come yet.

[Pinter] Which are those "certain circles"?

[Fur] The opposition parties. I won't name them or offend them; they will find out about their mistake soon. We haven't started our campaign yet, but we are contemplating our strategy, let's say, in the middle of 1993....

[Pinter] Ivan Peto, representative of the Free Democrats, produced a sensation in an interview to MAGYAR HIRLAP in which he said that after the election a "broad coalition" might be possible. Quote: "In a broad coalition the SZDSZ might cooperate with a less compromised wing of the MDF, which could eventually break up after an election defeat." What is your reaction to this assumption?

[Fur] I was at a loss and a little upset. There are some problems with Ivan Peto's idea. There are a number of reasons why the formation of a broad coalition is impossible even if the parties more or less agree on the major

economic and political goals and have identical views on cultural issues. But there are major differences in the thinking of the MDF and the SZDSZ. From the beginning the MDF devoted itself to the cause of Hungarians with an intensity that the SZDSZ has never been, and is not now, capable of mustering. I don't want to make a judgment, I only want to emphasize the difference between the two parties. The strength of the MDF is that the cause of the Hungarians and the democracy are equally important issues for us. The SZDSZ advocates democratic, liberal principles, which could include of course serving the country, but they have no intention to be as dedicated as the MDF. The other problem with Peto's theories is that the MDF will not break up after the election. Nothing is indicating this possibility; this is just wishful thinking on the part of the representative. We are counting on another victory in 1994. There might be some political forces which come close to us, but if the Hungarian Democratic Forum will be able to open up and implement our political program, then, measured in percentage, we could come close to results of the 1990 elections.

[Pinter] How would you comment on those opinions which suggest a comeback of former Prime Minister Miklos Nemeth to the political arena?

[Fur] I can't judge his political impact, because in the popularity polls he came to second and third place when he was not saying a word in parliament, he wasn't even in Hungary at the time. I have a very good personal impression of him. Miklos Nemeth behaves correctly and has good manners; he is devoted to the country, to the nation and to the economic issues. But by now he is completely out of the political battlefield. [passage omitted]

[Pinter] What other steps will be taken by the MDF and the coalition against Arpad Goncz, since he didn't relieve the chairmen of the Radio and the Television from their offices after the prime minister had repeatedly called him to do so?

[Fur] I don't think we should expect any dramatic developments. There were no such developments at all, only some exaggeration and misinterpreted statements. Even the president himself acknowledged that this matter is neither finished nor solved. Everybody expects a miracle from the Media Law; I'm telling you that there won't be any such miracle. According to the government we shouldn't wait with this matter until the new law, we are just wasting time, not only the government's but society's as well, whose hopes are high of these changes.

[Pinter] Don't you think that in recent days in the debate with the president some statement of the MDF went beyond common sense and good taste?

[Fur] With the exception of one sentence I agree with what the MDF spokesman said in his statement. According to that sentence in question Arpad Goncz's decision was a step to undermine the democratic establishment of the country. The president made a political

decision, he himself acknowledged it, though in a delicate matter as this he shouldn't have done so.

[Pinter] Is peace possible within the coming weeks between the government and the president?

[Fur] Despite the public belief there is no such war today. Differences of opinion and some tension are present however, and we have to eliminate them by showing a willingness to compromise.

[Pinter] Does the government have any interest in doing so?

[Fur] We are very much interested in it, and we would like to see the problem of radio and television come to a solution.

Energy Policy Adopted by Government Discussed

92CH0877A Budapest *FIGYELO* in Hungarian
6, 13 Aug 92

[Article in two installments by Erzsebet Eller: "Energy Policy"]

[6 Aug p 7]

[Text]

We Use Little Energy, but We Do So Wastefully

The government's energy policy adopted in June does not make a choice regarding the need for a "new basic power plant" prior to the millennium, and although the KDNP [Christian Democratic People's Party] contrasts its energy policy concepts to those of the government, there is no contradiction between the two because the government concept does not establish priorities insofar as nuclear, thermal or lignite power plants are concerned.

The authors of the study entitled "Hungarian Energy Policy" claim that the energy policy concept, in the making since 1990 and adopted by the government last June, is not intended "to serve as a detailed action plan encompassing every facet of energetics, but instead, is supposed to designate 'the main strategic direction.' (...) It was our intent to find the predominant line of thought relative to the mostly political, pivotal issues, which can only be judged from the vantage point of the government due to their societal impact."

IKM [Ministry of Industry and Commerce] Division Director Istvan Szergenyi, who also serves as vice chairman of the UN Committee on Energetics, presented a report at the international conference of the Kangaroo Group last April in Paris about the evolving Hungarian energy policy. The Group was established by 50 multi-national industrial firms whose goal is that energy supplies "transcend national boundaries" in Europe. Szergenyi tried to respond to the most important question of how to predict energy consumption in a transitional economy. FIGYELO had this to add: How could one

define a mature and well-founded energy policy in the absence of an economic policy and an industrial policy?

Based on international comparisons, Istvan Szergenyi replied. Comparing what? By comparing per capita energy consumption, the amount of energy needed to produce a dollar's worth of product or the so-called energy efficiency, and the pace at which the latter changes. At the Paris conference Szergenyi asserted that the anticipated growth of the GDP [gross domestic product] and changes in energy efficiency jointly define the expected energy demand.

International Comparison of Net Per Capita Electrical Energy Consumption in 1989

Net Electrical Energy Consumption		
Country	Per Capita Megawatt-Hours	Per Capita Kilowatt-Hours
Austria	5.8	1.8
Belgium	5.9	1.4
Czechoslovakia	5.7	1.1
Denmark	5.8	1.7
France	5.7	1.8
Greece	3.7	0.8
Netherlands	5.0	1.2
Yugoslavia	3.1	0.8
Poland	3.1	0.8
Luxembourg	10.8	3.5
Hungary	2.8	0.7
Great Britain	5.0	1.4
Germany	6.4	1.5
Italy	3.6	0.9
Portugal	2.0	0.6
Romania	3.0	1.0
Spain	3.0	1.2
Switzerland	7.0	2.3
Soviet Union	5.0	1.2
United States	10.5	2.8

As our table shows, per capita energy consumption in Hungary is the second lowest, after Portugal, a country that has a warm climate. In contrast, however, energy consumption per GDP unit is bad because Hungary consumes far more energy per unit of GDP or in producing new value, than, for example, Austria, Denmark, Belgium, Italy, or Japan. Accordingly, the international comparison shows that we are using little energy, but whatever energy we use, we use wastefully. This is the extent to which the text of the industrial policy concept given to us treats this subject:

"Changes in the production structure due to modernization result in a temporary reduction in energy consumption, in parallel with reductions in the GDP. Once the economy gains strength, however, and begins to grow

again in a more modern structure, the decline in energy intensiveness is supposed to stop, and depending on the future rate of economic growth on the one hand, and on the new production structure, on the other, one may expect to see energy intensiveness increase at a certain rate, and this applies primarily to electrical energy. The exact rate of increase depends on factors outside the realm of energetics. (...International comparisons...) support the projected range of increased demand (between 43 and 46 billion kilowatt-hours of electrical energy in the year 2000, and a total energy consumption of 1,200 and 1,300 petajules)." Thus the verbatim quote.

Elsewhere the author of the study has this to say: "Hungarian electrical energy intensiveness has increased by 1.5 percent to 2 percent annually during the past 30 years, but developed countries have also registered a significant increase in intensiveness (between 1960 and 1980, growing at a pace faster than in Hungary). On an international scale, the change in trend occurred not as a change of general character during the 1980's, and several countries registered a decline in electrical energy intensiveness. We hope that we will experience the same in the Hungarian economy. The reduction of total energy intensiveness during the past 30 years has been the largest in Japan (3 percent per year), 2 percent per year in the United States and in West Europe, and only 1 percent per year in Hungary. This index must be improved with the renewal of the economy, and mainly by way of technology transfer."

An appendix to the study, regarded by the IKM as of no interest to the public, includes a table that projects energy demand for the upcoming years as a function of various rates of reduction in intensiveness and of various changes in the GDP. Istvan Szergenyi envisions as realistic an average 3-4 percent annual improvement in energy intensiveness along with a 3-4 percent annual GDP growth until the year 2000.

What does the study have to say about the most frequently disputed issues in the field of energetics? Which investment group should breathe a sigh of relief: those who bid for small blocs and for renovating existing power plants, or others who would like to build a new basic power plant? And within that, who receives encouragement based on the policy concept: the nuclear group, or those who want to see thermal plants or lignite-based plants? Most likely none of these groups received encouragement. As adopted by the government, the policy concept fails to resolve any of these issues. This is what the study has to say:

"As a result of uncertainty surrounding the increase in demand, it would be appropriate to prepare flexible plans for facilities development; plans that are quickly adaptable to energy needs. This purpose is served by placing into operation from time to time low capacity power plant blocs, which can be constructed quickly. These, so-called combined-cycle blocs are becoming

increasingly popular throughout the world (...). In addition, we must also prepare ourselves to place into operation a new, large basic power plant sometime around the millennium, and the related decision must be made with public participation and on time...."

What does a decision "on time" mean? Istvan Szergenyi had this to say in response to our question: "The construction concept of the basic power plant must be prepared by the end of 1992 so that we can begin societal debate concerning the location and type of power plant thereafter."

[13 Aug p 14]

[Text]

65-75 Billion Forints Annually for Development

The government is going to decide this year whether there is going to be a new basic power plant, we said in closing our last week's article on new energy policy. The next exciting issue pertains to the form of ownership in which large energy enterprises are going to operate in the future, and the timing and types of energy laws the government and the National Assembly are going to adopt.

"The first step to transform the Hungarian hydrocarbon industry has already been taken," one reads in the energy policy study adopted by the government in June. "After stripping the old OKGT [National Crude Oil and Natural Gas Trust] of its background industry and natural gas utility firms, the Hungarian Oil and Natural Gas Industry Corporation (MOL, Inc.) had been established on 1 October 1991. Its activities range from hydrocarbon research all the way to the sale of products. Based on a proposed mining law submitted to the National Assembly, all mineral resources—thus also hydrocarbons—would constitute state property, but anyone could bid for the exploration of such property. Access to the free capacities of pipelines that may be regarded as natural monopolies would have to be guaranteed by law. Crude oil processing is performed by MOL, Inc., in Hungary. Based on the experiences of foreign petrochemical refineries, we must examine the cooperative relationship between crude oil refining and the petrochemical industry because such relationship could strengthen the competitive positions of both of these branches of industry. The privatization of natural gas utility firms must be linked to the diversification of Hungarian natural gas distribution. Based on this, foreign investors able to provide larger and longer term natural gas resources will have a greater chance in playing a role."

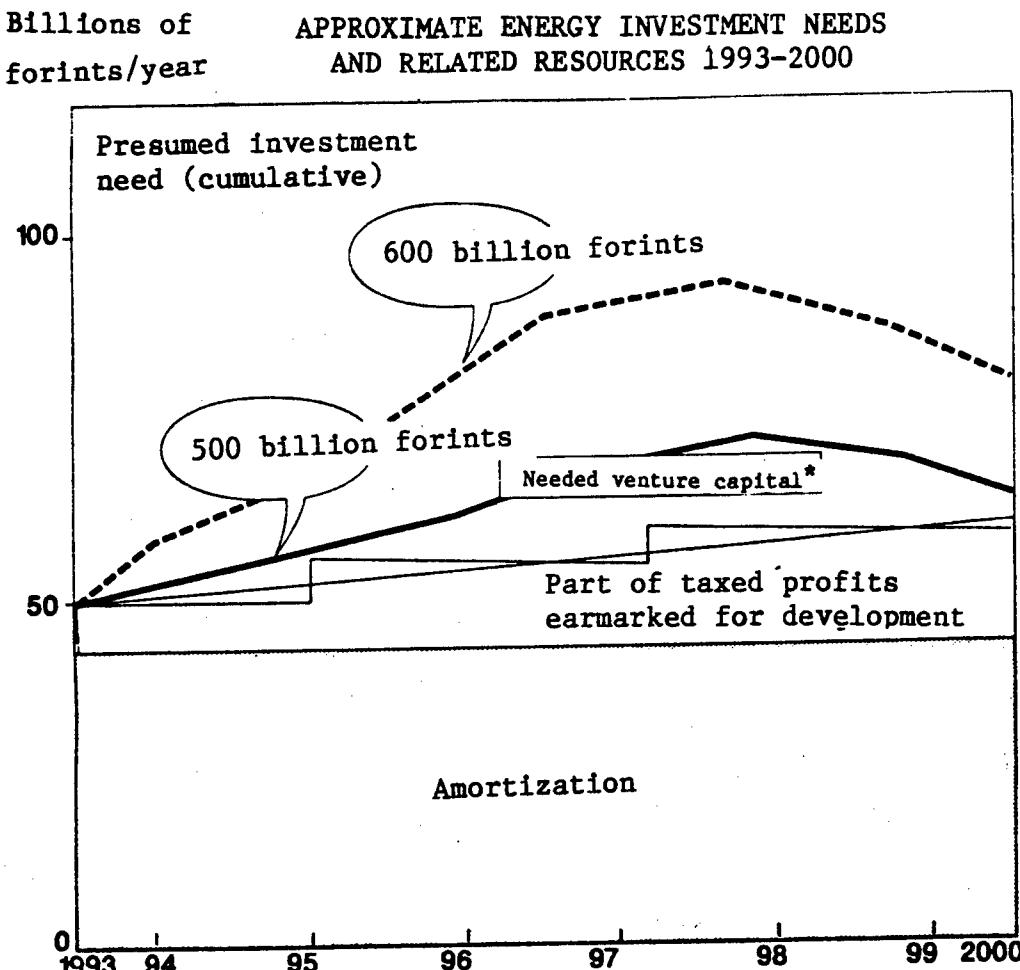
"As of 31 December 1991, the Hungarian Electrical Works Trust (MVMT) has been transformed into a two-tier stock corporation system called Hungarian Electrical Works Corporation (MVM, Inc.). Long-term adaptation to the market economy requires privatization along with state majority control also in this field. In order to accomplish this, however, there is a need,

among other matters, for the development of a mechanism to provide for changes and in prices responsive to changes in costs in the framework of the electrical energy pricing system, and for the revamping of the internal cost structure. All this is to be accomplished in order to also enable self-financing.

"Laws providing for the functioning of energetics have become obsolete, and therefore, new laws must be enacted. The mining law is slated to take effect this year. By the end of 1992 we expect to have the first concept of an overall energy management draft law. Among other things, this will provide for the background institutions supportive of the operations of energetics, and for the rights and duties of public interest corporations. Laws governing electrical energy, gas energy, and nuclear energy are expected to take force in 1993. The first draft of a law providing for the democratization of the decisionmaking process related to facilities which have a

significant impact on the environment is also going to be ready by 1993. (Relative to the latter, a government decree must provide rules for power plants until the effective date of the law.) Agreements reached outside the scope of laws and decrees (e.g., agreements between the Coal Mining Trade Union and the government), concepts (about progress in privatization, of saving energy) will ensure that energetics function in a manner consistent with the overall national interest even in the framework of new ownership forms and in the market economy."

As we have already mentioned in the introduction of the first part of this article, the new energy policy does not deal with individual energetics issues in detail at the level of, or within various branches of industry. Nevertheless, the study made one exception: "Due to the importance...of the relationship between coal mining and the electrical energy industry...we will deal with this



*Amount of venture capital needed equals total investment need minus taxed profits plus amortization

issue, nevertheless...because 70 percent of the coal mined in Hungary is consumed by coal-fueled power plants in Hungary.... The government took the position that coal mining must be counterdeveloped gradually, in harmony with the electrical energy industry, where economy and social policies serve as the organizing principles...." Thereafter, the policy concept takes a stand in favor of so-called mining power plants (FIGYELO No. 11, 1992). Further, the policy concept assigns the task of drafting and coordinating a program between the two branches of industry to the Coal Mining Structural Transformation Center.

In addition to the above, the new energy policy also deals with the importance of saving energy, the need to have an understandable pricing system, and with the importance of information provision and public education, and dedicates one paragraph to "renewable energy resources." All these factors, plus the way demand for energy takes shape (Part I) define the estimated need for capital to finance energetics development projects until the millennium. This reveals that the gradual liquidation of outmoded facilities, and where possible, the modernization of such facilities, will cost between 65 billion and 75 billion forints annually until the year 2000. This amounts to a total of between 500 billion and 600 billion forints by the end of this decade, and this must be secured "...in part from the internal resources of energetics, and in part by attracting external entrepreneurial capital...."

When all of this is realized, we will have a high-technology energy system that is gentle with the environment, and one that has international connections also in the Western direction. "An optimum development of the continent from the standpoint of energy is in the interest of all of Europe. Our geographic location provides a chance for Hungary's worth to appreciate from the standpoint of energy (rehandling). This cause must be represented both by professionals in the field of energy and by politicians," according to the closing paragraphs of the Hungarian energy policy (paper).

Military Intelligence Chiefs Discuss Operations

92CH0908A Budapest KOZTARSASAG in Hungarian
14 Aug 92 pp 38-40

[Article by Peter Balla, including interviews with Bureau of Military Intelligence Director Janos Kovacs and Military Security Service Director Karoly Gyarak; places and dates of interviews not given: "Military Intelligence; Serving National Goals"]

[Text] The party state is history; intelligence agents are not labeled heroic guardians or lowly spies, depending on the color of the flag. But the mysticism surrounding the secret services have survived the change of regimes, especially in the case of military secret services. In related interviews, Peter Balla looked for answers to the question of how the military intelligence services adapted to the new challenges resulting from the new

political situation. His discussion partners were Bureau of Military Intelligence [KBH] Director Janos Kovacs, and Military Security Service Director Karoly Gyarak.

Since the beginning of time, national interests have been the standard in the secret service game even if, because of its nature, that aristocratic trade did not pay special attention to geographic borders. Even today, intelligence or counterintelligence is a highly qualified and emotionally neutral professional field. Disregarding the technical circumstances that may be better or worse, the professional tricks of the secret services are by and large the same. In the cat and mouse game, the pursuers and the pursued depend on each other, just as criminal justice is inconceivable without criminals.

In the case of the Bureau of Military Intelligence, the beneficial mystery inseparable from secret service operations was unveiled only a few times, and only for a short period. One instance was when the world press exposed the spy affair of a certain American sergeant, L. Conrad, who sold the most closely kept secrets of NATO to Hungarian military intelligence, was eventually sentenced to life imprisonment.

[Balla] The Conrad affair made it obvious even to the most conservative military leaders that the allegation that NATO had plans to attack was absolutely unfounded. Did Hungarian military intelligence believe the propaganda of military threat?

[Kovacs] We would have done shoddy work if we took the enemy image, created by that propaganda, as fact. The enemy image existed on paper. Italy and the FRG were the target countries. Because of its characteristic nature, military intelligence always tried to come up with realistic and dependable assessments of situations. That was perhaps one reason why our military leadership was not forced into a superfluous arms program that would have exceeded Hungary's economic capacity.

[Balla] The party state has collapsed, the Warsaw Pact has silently died, and the artificial statehoods around us have also crumbled. Under such circumstances, how would you describe the objectives of Hungarian military intelligence, which has now become sovereign?

[Kovacs] First of all, military intelligence serves national goals. It helps our defense interests by obtaining information and by conducting analyses for the government. We cannot be indifferent to the recent changes in foreign affairs and the events in the region. The greatest responsibility of military intelligence is to signal in time any possible dangerous situation to the political leadership and always to be sure that its analyses are precise. An overestimate of a given country's military potential may be the basis of a mistaken arms decision costing billions of forints; on the other hand, an underestimate may endanger our country because of unpreparedness.

[Balla] According to certain studies, Hungary is, in terms of its weapons arsenal, at a serious disadvantage with its neighbors. There are those who say, "An absence of force

in the middle of the Carpathian Basin presents a challenge." What is your opinion about that?

[Kovacs] The differences between weaponry are more quantitative than qualitative; as a soldier, I must say that, unfortunately, is not to our advantage. But I do not see any direct military threat, if only for the fact that every country in this region will be busy in the coming years with the redefinition of their own military doctrines, with the reorganization of their armies, and with indispensable modernizations. Moreover, after 1995, if our neighbors take the stipulations of the Vienna Accords seriously, armaments will be reduced so that even in the worst case a neighboring country will be no more than one and a half times as strong as we are. Disregarding other considerations, there will be no sensible military leader in any of the surrounding countries who, given such a slight quantitative advantage, would urge political leaders to undertake a military adventure in the hope of victory.

[Balla] We are slowly stepping into the 21st century, when even the data of personal ID's can be read with the help of satellites. Mass communication is literally pouring out information, and diplomatic relations, which make it possible to obtain information legally, are also constantly expanding. Under such circumstances, is secret intelligence still justified?

[Kovacs] The Iraqi war was the last instance when it became clear to intelligence people that the significance of the human factor is immeasurable. Not even the most precise satellite can determine the purpose of the military formation that can be seen in the photo or in which direction it will attack the next day. Human thinking cannot be substituted, and it is also true that modern intelligence consists mainly of the professional evaluation of legally collected data. About 80 percent of the data and other information can be obtained that way. From this, specialists can prepare an analysis that is almost 90-percent exact, but the missing 10 percent or more of exactness can occasionally lead to catastrophe. No intelligence agency, including ours, can dispense with obtaining that information. Of course, such "obscure" intelligence carries high risks: Even under the best of circumstances, the agent is playing with his freedom.

[Balla] If, in a foreign country, someone offers information that is important to us, are we able to pay for it?

[Kovacs] The person who makes that decision has a great responsibility in all such cases. If the offer is truly indispensable and if our country's security is at stake, then yes, we are able to pay.

[Balla] In connection with Sergeant Conrad's abortive affair, the question arises whether agents are motivated by patriotism in taking risks.

[Kovacs] If your question refers to Hungarian agents, then I must say that, unfortunately, we have very limited financial resources to adequately remunerate professional agents who participate in successful operations.

The lifestyles of the agents are not any different from those of people serving in the military in other capacities. What is left, then, is professional commitment, although I must add that underpayment at the secret service is a serious threat to security.

Although the earlier Duna-gate affair did not "smear" military intelligence, it had a significant indirect effect. Intelligence, which was operating as Department III/IV of the Ministry of Interior, was transferred to the defense portfolio as of 1 May 1990, which put an end to the decades-long strange situation in which military intelligence agents were considered soldiers by the police and police officers by the soldiers.

[Balla] The civil secret services made their budgets public recently. Are similar data that are connected to military intelligence public?

[Gyaraki] We have no special secrets in that connection although I do not believe that a number would, in itself, reveal much. Our budget last year was 314 million forints, in addition to the material expenses that the Hungarian army must bear under the present system as well as the expenses of using the so-called Special Service and Operative-Technical Directorate, which is a separate part of the Bureau of National Security budget. I do not want to unnecessarily bore the reader with figures, so let me only add that military intelligence would still be a secret service with the smallest budget even if it were completely self-sufficient. (The budget of both the civil secret services and the Hungarian army's Bureau of Intelligence run into the billions of forints.—Ed.)

[Balla] The 1990 government decree that regulates the tasks related to national security defines counterintelligence as the organization's fundamental responsibility. On the other hand, one can frequently read about the Hungarian army's outdated and obsolete technology. The question arises whether, in view of that, we still have secrets that are attractive to others.

[Gyaraki] We do, of course, and not only because the media dramatically inflated the army's backwardness in certain areas, but also because information relating to the strategic and tactical use, technological development, and standards of training of an army will always be attractive to foreign military intelligence. I must say that the opportunities for intelligence directed against us have increased since our borders became open.

[Balla] Whom or which nations does military intelligence detect most frequently?

[Gyaraki] Do not expect an exhaustive answer to your question. However, the Szanto affair and the southern Slav situation in general, for instance, make it obvious that our southern neighbors—actually, quite understandably from their own viewpoint—pay special attention to the Hungarian army's well-guarded secrets. It

may also happen that foreign secret services use Hungarian territory for operations against other countries. Regarding the future, the Bureau of Military Intelligence is somewhat uneasy about the part-time jobs army officers are allowed—with a few exceptions—to engage in. It still does not happen often that an army officer uses his capital in a venture, but the none-too-high pay increasingly forces people to supplement their salaries by taking employment in various ventures. And this can carry certain risks. I can mention as an example that a company, in recruiting part-time employees, asked questions on its application form that were unnecessary for carrying out the job, e.g. questions related to the applicant's rank, unit, reserve service and other military issues.

[Balla] One of the responsibilities of the Bureau of Military Intelligence is the security check, conducted with their knowledge, of "persons occupying especially important and confidential positions." In the army, too, many people have been appointed to responsible positions in the past two or three years. However, the aforementioned statute's provision for implementation has not been prepared to date and, thus, the screening out of those with a "tainted" past will have to be postponed.

[Gyaraki] That is true indeed, but one thing has been certain since 1990, namely, that the staff of the secret services are considered persons who occupy especially important and confidential positions. For this reason, those who want to work at the KBH must fill out a data sheet as part of their application, and we must check the answers in accordance with the statutes. Filling out the data sheet is a requirement for employment, not only for those to be employed, but also for incumbent staff members. Only those can become staff members whose employment, to use a technical term, does not present a security risk for the KBH. I think that the legal definition of especially important and confidential positions will not affect this procedure.

[Balla] Crime is increasing, and army discipline is worsening. It is the Bureau of Military Intelligence that investigates the major military crimes. Is there any cause for concern?

[Gyaraki] Regarding army discipline, I can refer to the statement of the army commander and the army chief prosecutor, namely, that discipline has improved lately. I do not see any cause for concern as far as major military crimes (desertion abroad, mutiny, jeopardizing combat readiness) are concerned, although that does not mean that we do not have to pay special attention to manifestations leading to such crimes. The basis for that is that no crime of "jeopardizing combat readiness" was committed in the recent past, and there was only a single instance of mutiny—the well-known Torokbalint affair. Strangely enough, the number of cases of desertion abroad is increasing, from five instances in 1990 to 10 in 1991, and to five already this year. Some 80 percent of

the culprits are enlisted persons. I am somewhat perplexed about that, for discharged persons can travel abroad anytime with their world pass.

[Balla] The flaws and inconsistencies of guarding secrets surely must have given the KBH enough to do. Perhaps it will suffice to mention the secret documents found in a Szentendre garbage can.

[Gyaraki] Indeed, it seems as if people, including those working for the army, have become less perceptive as to what kind of information they are forbidden to talk about. But I believe that this problem could be solved primarily with a modern statute on secrecy and precise, consistent, and detailed supplementary regulations.

Photo Captions

1. p. 38: Radar station, border situation: "They pay special attention to the Hungarian army's well-guarded secrets"
2. p. 39: An F-16 on the base runway: The intelligence program is obviously affected by the fact that warplanes can soon be purchased from a catalogue....

Kupa Presents Draft 1993 Budget to Assembly

*LD0809163492 Budapest Kossuth Radio Network
in Hungarian 1415 GMT 7 Sep 92*

[Speech by Finance Minister Mihaly Kupa about the draft National Assembly resolution on the 1993 budget to the National Assembly in Budapest—live]

[Excerpts] Mr. Speaker, Esteemed National Assembly, Esteemed Fellow Deputies, Ladies and Gentlemen:

At our proposal, the National Assembly has brought forward the parliamentary debate on the 1993 budget directives. Thank you very much because in this way we will have the opportunity to avoid the nightmares of the last year. Special thanks to the Budgetary, Tax, and Financial Committee for putting on its agenda the debate on our proposals for the procedures of parliamentary adoption of the budget.

This series of budgetary debates has thus started because the 1991 appropriation accounts and the modifications to the 1992 budget are also on the table, and the government will also submit the entire bill on the 1993 budget and the social insurance and assets-policy guidelines bills by 30 September. Therefore, we hope that this year you will have a plenty of time for a thorough debate on this difficult matter in these circumstances, which are not easy—time to make proposals and rational decisions. The government has been working on these bills for three months and decided in favor of an even stricter budget than that proposed, and this is what the government proposes to the parliament. That appears in the change to the figures as well, which is included in the modification, which has been or is to be distributed. The

most important change is that for 1993 we are looking at a maximum financeable deficit of 180-185 billion forints.

Esteemed National Assembly, first some ideas about the situation in the country and the economic program for 1993. We can safely say that Hungary has been fighting admirably and holding its ground respectably in the transition to a social market economy. I believe that we are well beyond the halfway point in the creation of an institutional working structure for the market economy, in the establishment of the economic system's political and economic framework. We have made significant progress in stabilizing the national economy, our foreign debt is no longer a pressing burden, inflation and interest rates have been decreasing almost day by day, and we have been carrying out a successful market changeover. The adaptation of the microeconomy, the microworld, is proceeding powerfully as well. The number of enterprises has been increasing, the inflow of foreign capital is significant, the population has been increasingly following a market-economy way of thinking. However, for objective and subjective reasons and because of delays, we have been struggling with numerous and serious problems. We are not maintaining the levels envisaged by the government program, which, in its main directions and spirit, we invariably consider the only feasible program that can bring about success and development of the country. However, we have to face the fact that the recession, which is inevitably accompanying the transition, is deeper and longer lasting. The lack of internal financial balance, the increasing budget deficit, the uncertain state of social insurance, the slow transition of state companies and agriculture, the high incidence of bankruptcies, the social insecurity and the radical disparities in incomes, the delay in the reform of state housekeeping, the uncertainty surrounding privatization—all of these things have led to a more difficult situation than expected, than forecast optimistically. This can clearly be seen in 1992, and that is exactly what has to be avoided in 1993 and in the following years, too. There is a need for a more resolute and firm government policy and relentless exposure of reasons and mistakes.

Esteemed house, in the preparation of plans for the future it is important to make unambiguously clear the reasons for the divergence from the original program and forecast. The fact that our external circumstances changed with unforeseeable speed has had a negative effect on the Hungarian economy. The former COMECON market has completely collapsed, Yugoslavia and the Soviet Union, which used to be considered our main market, have fallen apart. Today the economic and political situation is more serious in Eastern Europe than was expected by anybody. The West, naturally, as usual, is reacting with delay. The more difficult situation, the greater the pressure for a market change in several respects. Contrary to the original plans, it has led to the introduction of elements of forced, shock therapy in the economy. We also have to admit that a more

complicated process has taken place—which includes more extreme elements—than we originally expected in the Hungarian economy.

The changeover to a market economy, the structural transformations connected with it, combined with the almost complete lack of the necessary resources and burdened with large debts, starting from an already crisis-ridden basic situation has resulted in a very serious fallback.

In establishing the conditions for creating a market economy—although, in general, I believe it is progressing well—in many cases we are causing delays in the process. For example, the framework legislation on the state budget is already enacted, but the adoption of the related sector legislation, the comprehensive reforms of the operation and financing of the major distribution systems, or setting up a modern insurance system have been delayed, as has social legislation, housing—I could go on.

We took into consideration all these facts or their consequences when formulating in detail the economic policy proposals for the period ahead. We intend to continue to handle the four major problem areas— inflation, unemployment, maintaining the external balance, and economic growth—together. However, in view of facts and existing circumstances, it has become obvious by now that economic growth, or rather the delays in the beginning of economic growth have become the central issue. The approach to the problem, the methods and instruments proposed to solve the problem, will fundamentally influence the whole of the proposed economic policy.

There is general agreement that if growth does not start we will not be able to finance the transformation, we will again have to incur debts, the modernization of the Hungarian economy will be a thing for the distant future, and at the same time social tensions could reach the breaking point. That is something everybody wants to avoid. But there are various views about creating the conditions for growth.

Unquestionably, stimulating growth artificially can lead to rapid initial results, but our own experience so far caution us that stimulation through an increased budgetary deficit and through lax monetary policy will quickly lead to an undermining of the external balance, to a reversal in the inflationary trend, and to even further structural distortions, not to mention that it will centralize the direction and functioning of the economy.

These instruments could be effective for a transitional period if the decline in production and incomes had been due to too many restrictions. Our analyses, however, show that the greater than anticipated decline in domestic consumption in 1991 and even more so in 1992 were not the result of restrictive fiscal and monetary policies.

In the government's opinion, the main problems in the Hungarian economy today are not monetary, nor restrictions on demand generated by the state. Savings in the national economy have reached a very high level, the inflow of foreign capital is also high, but that is partly absorbed by the increasing deficit in the state budget and partly because today yields on short-term investments are higher than on capital and long-term investments. The problems are exacerbated by the fact that due to the underdeveloped state of the financial sector it is difficult to redirect savings to the investment sector.

Esteemed National Assembly, the basic principles of the economic policy formulated for 1993 which follows directly from what I have said so far, but contains also essential new elements corresponding to the changing situation, are as follows:

Stabilization continues to be an important goal because without it economic development would be in jeopardy. Therefore, the need to reduce inflation has not diminished because despite its successful handling so far, price increases are still too high. Maintaining the external balance cannot be pushed into the background as an important element of stabilization. However, the important difference to previous situations is that there is no need to achieve a balance of payments surplus. However, the means by which the surplus on the balance of payment is reduced is significant. Unquestionably, our goal is to increase accumulation and the level of investments—and within that the promotion of capital inflow, primarily not through central intervention, but as a result of independent entrepreneurial decisions based on assessments of the conditions for real returns on investments, and also through the financing of major infrastructure developments. In addition to the increase in exports, we set as an equal goal the broadening of domestic demand in 1993. In the current preconditions for stabilization, maintaining the balance only requires that the broadening of domestic demand be no faster than the increase in exports, nor should it be significantly slower.

In the short term, due to objective conditions, we can see the beginning of growth to be feasible, even with the level of deficit. Judging the level of the deficit, we must take into account that during the changeover to a market economy the so-far hidden deficits became financially visible and appeared in the budget partly in the form of reduced revenues. [passage omitted]

All these reduced the tax base and tax revenues. According to our calculations, since 1990 we have forgone at least 150 billion forints in revenue, either partially or fully in the interest of establishing a market economy.

Examining the factors that have brought about the present economic situation, and taking into consideration the above goals, the government wishes to achieve the necessary growth fundamentally without taking direct steps to stimulate the economy. That can be

achieved if the institutional and legal systems of the market economy are supplemented, and framework of conditions helping stabilization becomes stronger. The privatization process is speeding up. The economy's acute crisis sources have been localized, and successful solutions are being found to handle them. It is being made increasingly possible for the growing foreign and domestic capital to take an increasing part in financing investments in infrastructure, including human infrastructure. [passage omitted]

Esteemed National Assembly, in this situation the government considers its task to be the creation of the above conditions with mechanisms that are even more effective than up to now. The mechanisms are aimed at improving the environment for ventures, and at carrying out the real state budget reform. However, the faster possible development of the infrastructure is an important, fundamental issue. For that reason there will be a continued need for coordinated economic activity in certain fields, through integrational organizations in order to promote the growth of exports, which is the basis of healthy economic development, and the influx of capital.

We have launched and are developing the institution of an interbank foreign currency market in order to lay the foundation for the convertibility of the forint. We are preparing a new foreign currency bill. The compulsion of ventures to acquire foreign currency will cease completely except for certain cases of capital export.

The government wishes to stimulate the privatization process by supplementing the privatization package and system of institutions, by changing the conditions of privatization loans, by using mechanisms affecting privatization demand, and by introducing new privatization methods and techniques, e.g., privatization leasing or bonds. The government has done its best to make sure that the substantial reduction in interest rates, which has already been justified by the reduction in inflation, is manifest in the financial market so that the conditions for ventures improve. The protection of the domestic and producers markets is emphasized more strongly in the government's activity due to the application of mechanisms and regulations complying with international practice.

Summing up, we believe that in 1993, alongside a decreasing inflation rate of 16-18 percent, a 5-to-7-percent export growth, a balanced balance of payments, an active foreign trade, and unchanged influx of capital, the gross domestic product can increase up to 300 percent in such a way that the population's gross consumption remains effectively at an unchanged level while investments begin to grow. The government hopes that it can do the most by the strict and fast handling and implementation of the said conceptions, which have been outlined in the policy, in order to ensure that the transformation process which began two years ago is not held up in the face of difficulties, but is realized by achieving healthy growth.

Esteemed National Assembly, healthy growth demands that we pursue a rather strict policy regarding the state budget, that we adjust expenditure to achievable incomes, that we speed up the really great task of transformation, reassess the state's role and its adjustment to the market economy.

Our tax system, which is the basis of a significant part of the budget's incomes, remains unchanged in principle. We do not plan significant technical changes in consumption and personal income tax. It seems necessary to adjust consumption taxes to the growth of the retail price index, (?this year) alongside rather low inflation. In the case of the personal income tax we are examining the situation of small entrepreneurs, and the handling of long-term savings and investments in a more favorable way.

The change is measurably greater in the case of the general turnover tax where, on the basis of the past four years' experiences, also taking into consideration the obligations deriving from the association agreement with the EC, I propose changing the general turnover tax system's rates and the introduction of a two-tier general turnover tax system. The main deficiencies of the current general turnover tax system, which have exacerbated over the years, are as follows:

Consumer goods and services for which the general turnover tax is rated zero amount to a rather large, and in recent years significantly increased, part of the purchased consumption—some 44 percent of their value. Thus the tax basis on which the turnover tax can be realized is small. The average rate of the general turnover tax on purchased consumption decreased significantly between 1989 and 1992, from 11 percent to 8.5 percent. That rate does not guarantee the realization of a suitable general turnover tax income. The system of special general turnover tax rebates is too broad. In addition to the fact that it is bureaucratic and gives a chance for corrupt practices, it is not capable of taking social viewpoints into consideration. That problem exists especially in the field of housing construction.

The main feature of the proposed and necessary transformation of the general turnover tax system is that a positive, so-called favored, tax rate will be applied instead of the zero rate, and the circle of special general turnover tax rebates will be narrowed. We seek authorization for that. As opposed to the submission, the government finds the use of 8 percent and 25 percent rates to be suitable and sustainable. The expected price increase arising from the change is between 3 and 6 percent. We are working on methods to compensate those strata most in need.

The new general turnover tax, the two-tier system, makes possible the stabilization of the budget's income in the short term, a more just taxation system, and taxation of invisible incomes, as those who consume pay. In the long term it makes it possible to decrease other types of taxes. [passage omitted]

The sum of tax arrears at the beginning of 1992 was 64 billion forints. This year the tax authority has collected 16 billion forints from the arrears partly by enforcement and partly by way of agreement. In spite of that, the sum of arrears has not decreased. Part of the arrears is the debt of companies under bankruptcy procedure or in liquidation. Thus, first of all, we must make sure no new arrears appear and accumulate. To that end we have taken several measures and the law has also been modified. From 1993, the government is planning further steps. According to our intentions, monthly declarations will have to be made regarding the general turnover tax, thus the real obligation will be established continuously, and if there is cover the tax can be collected monthly.

Naturally, alongside the full collection of the declared taxes, the budget's position can also be improved if the possibility of tax avoidance is decreased. The tax authority's mechanisms for this have significantly increased and are increasing this year; results can already be expected in the near future in the course of the next round of checks. Alongside the consistent use of the new mechanisms, we are not relinquishing further examination of ways to stop conduct that violates budget interests. That includes tighter cooperation with enforcement organs. Financial discipline, which has broken down in all former socialist countries, must be restored and strengthened, and we will in fact strengthen it, not only in the case of taxes, but also in financial institutions, and at the same time we are and will continue to strengthen it in the use of taxpayers' money, be it in the public administration, unemployment benefit, or social support. We are a poor country; we must be economical with our money.

Esteemed National Assembly, the principles that have been submitted deal with budget expenditure in detail. There are several proposals and I do not want to go into them. However, the sad events of the past weeks oblige me to speak in more detail about the support package the government is preparing for economic organizations, primarily the agricultural economy. On the expenditure side, most of the support for economic organs shows preference toward the agrarian sector, it wishes to urge primarily the healthy functioning of the agricultural economy, the preservation of its situation under competition conditions—the formation of an effective agrarian sector. The two-tier positive general turnover tax will also do this. [passage omitted]

Esteemed fellow deputies, the most significant item in the expenditure side of the state budget is the support of central budget organs. When planning this we considered as a starting point that despite the significant decrease in the possibilities of distributing the central budget, even alongside lasting inflationary effects, we have managed to keep up the budget organization system's ability to function, and in addition to this to fulfill new obligations, implementing educational and cultural programs and increasing support for nonstate organizations, especially the churches. However, in 1993 the budget's situation will not make it possible for institutional circles to

count on automatic increases in capital expenditure and income which were customary in previous years. There is no way to implement wage policy measures similar to that of this year, however, the wage increases implemented on 1 July and 1 September this year will need and receive extra support in the whole of next year. The implementation of the 1993 budget will definitely require the cessation of obsolete tasks and unnecessary institutions and the structural reorganization of the state budget. The long-term goal is that the part of the institutional circle operating in the framework of the central budget should be the one typically and permanently belonging to the budget circle in the developed market economy. [passage omitted]

We have proposed further measures for 1993. For example, there will be integration in the area of foreign representation, foreign trade services, cultural institutions operating abroad, and experimental and higher educational institutions in order to save money.

I hope that on the basis of the media law Magyar Radio and Television will operate in the form of funds in the future [as heard] and that the National Inspectorate of Monuments offices and the Industrial Quality-Control Institutes will become companies. The completion of that work will take place after the appropriate laws or directives had been passed.

Esteemed house, special attention to the development of education is a basic condition for implementing the comprehensive government strategy. In public education the changes in demographic trends by next year will be noticeable in secondary education as well. The reduced number of pupils by itself will make the conditions for learning and teaching more favorable. Central support will be necessary for the development of the national curriculum in connection with the new public education law, for the drafting of alternative teaching programs, for the training of teachers, for the new examination system. Further expansion in the development of private education in schools maintained by the churches and by foundations is expected. That will mean obligations for the central budget in terms of financial support.

The improvement of educational facilities for ethnic and national minorities in Hungary and for Magyars outside the borders of our country and the further education of teachers in such schools is an important task of our educational policy. [passage omitted]

On the basis of the law on training, which is currently in preparation, the system of training, further training, and retraining will be renewed.

Higher education is given a special place. It is a crucial element of the Hungarian economy and also of the Hungarian budget. The basis for increased support for it is based on the development program until 2000. [passage omitted]

Esteemed house, it is a well known paradox that while the expenditure in the national budget for health and

social services is increasing year after year, the same cannot be said about their effectiveness. On the contrary, social tensions are increasing, unsolved problems are mounting up. We have to see that in the changed social and economic situation it is inevitable that from 1993 steps will be taken to reform the major distributive systems. Obviously the range of social provisions independent of incomes must be reviewed and the provision of services according to need will be given priority. I am thinking here of the system of family allowances and support for students based on rights as a citizens.

The improvement in the quality of medical provisions and its financing present a similar paradox. On the one side, it is true that allocation of health expenditure per capita is lower, but it is also true that in the present system of provisions, in particular in the provision for hospitalized patients, there is much waste and many dysfunctional elements. I believe that neither the population, nor the economy, nor the budget can be drastically burdened any further. It seems impossible to finance the health sector's excessive financial demands without changing structures. Therefore, in the interest of the present and of the future it is inevitable that we will make use of every possible means for internal restructuring. [passage omitted]

Finally, concerning these subjects, it must be stated that in a country establishing a market economy the goal must be to increase incomes from work while the established social safety net must help those in need. Concerning the Armed Forces, we are aiming to stabilize the tasks and organizational systems of those responsible for the external and internal security of the country. The priorities in the guidelines reflect the need to create the minimum conditions for that. In essence what it means is that we wished to lay the foundations, in the budget as well, to maintain the defense capacity of our country, to reinforce the level of defense of our borders and the level of call-up facilities. In the interest of improving public safety, specific professional steps were taken recently that meet the requirements of the population and of society.

Esteemed house, when formulating the financial support for local self-government in 1993 the government took as the starting point the desire that the allocation make possible the continued functioning of the self-government sector. Naturally, when setting the level of support we had to accommodate the macroeconomic conditions prevalent in other areas of public expenditure as well. In accordance with that, the automatic increases in capital expenditure and income cannot be implemented in the self-government sector either. Basically, we have the option to increase the level of support for 1992 by the most important elements. So in the budget guidelines presented to the parliament 239-240 billion forints are earmarked for the self-governments. [passage omitted]

In deciding on the level of support, the government took into account the allocation of the revenues from the

personal income tax between local self-government and the central budget. During that consideration it was a decisive factor that in the earlier 50-50 division, maintaining the level of normative support at least on the nominal 1992 level would be in danger. Since the basic position presented in the guidelines is that the system of self-government regulations is basically to remain unchanged, the previous divisions would mean that major functional disorders would develop in the majority of the self-governments due to reasons of allocations. [passage omitted]

Esteemed house, the management of unemployment and the related regional crisis centers demands even more burdens from the state. In order to handle such problems, the national budget spends in a directed manner—actively, in the form of unemployment benefit, in the form of employment and regional development funds—more than 70 billion forints, the same amount as in the unemployment fund. [as heard] We hope that the World Exposition, for which we have earmarked 14 billion forints for 1993, will reduce the extent of the problems.

Esteemed fellow deputies, the expenditures, repayments, and interest payments in connection with the internal national debt amounts to more than 205 billion forints for 1993. The weight of debt servicing in total budgetary expenditure has been increasing sharply since 1991. While it represented only 13 percent of the actual total expenditure of 1991, its proportion reached 18.5 percent by 1992, and by 1993 its share will even exceed 19 percent and might reach 20 percent. Of the forecast cost of our debts, 67 billion forints are related to debts incurred to finance the budget deficit of previous years, debts which were incurred before 1991; 67 percent of expenditure originated after 1991. The cessation of the housing fund in 1991 represents about 17 percent of debt servicing. The extremely high—uniquely high by international standards—debt servicing costs creates the need for a solution to the handling of certain elements of the state debt accumulated by the end of 1991. The debts have to be serviced in a way that does not overburden the budget. That is unavoidable if for no other reason than because from 1996 we will have to start paying off the debts as well, which, on their own, means an extra burden of about 70-80 billion forints.

I also would like to mention that even with such high debt servicing, if we look at the balance of the budget, which is closely connected with our foreign debt and with our inheritance, the current revenues of the national budget cover current expenditure and investments. The deficit is equal to paying off or financing the state debt. We have settled the external debt in a manner the country can bear. We are not happy about it, but we tolerate it. The situation is the same regarding the internal national debt. We have to find an appropriate form, an appropriate operational form, for it too. It cannot be increased any more because it would be immoral. It creates a problem that will be faced by generations. The question is whether we should pass the

accumulated inheritance to our children. That cannot happen; that has to be considered.

Esteemed house, in 1993 the government intends to provide a surplus of 36-37 billion forints for the priorities set in the guidelines, in other words, for the spheres to be developed. In the sphere of education the surplus exceeds 5 billion forints, most of which will go into higher education. There is a surplus of 13.5 billion forints for the introduction of the social law. In the two other major spheres—defense and law and order connected with the Interior Ministry—there is an almost 20 billion forints surplus for development.

Esteemed Mr. Speaker, fellow deputies, finally, on the basis of what I have said, I ask you to debate the guidelines and I ask for your decision on the question whether in 1993 we should switch over to the two-year general turnover tax, on the question whether we should bring budget deficit to under 180-185 billion forints [words indistinct]. I support all good ideas about it. There are two alternatives in the guidelines, one without a turnover tax the other with turnover tax. The one without turnover tax probably cannot be realized in these circumstances. I would also like to ask you to offer your opinion about whether you agree with the priorities, with the development projects. [passage omitted]

I think that the decision about the extent of the deficit is the fundamental issue of next year's budget. I propose, out of necessity, but with a sense of responsibility, decisions and amendment proposals aiming at 180-185 billion forints. I think that the deficit is of a still tolerable magnitude; it does not have an excluding effect; it does not exclude enterprises from credit lines; it does not generate excessive inflation, and it does not slow down the reduction of interest rates.

I would also like to say that the reason the deficit has to be held down is not because our external balance will be upset. No. Our external balance is good, but if the tendency continues further in state housekeeping, it could be upset. The reason it has to be pushed down is not because we cannot finance it. We can. The people's savings are very high, and in spite of all rumors and opinions to the contrary, they are increasing, and people are buying state securities like hotcakes. That is quite a bad thing, naturally. Not because the IMF came here and said: You can't do it. No. What the IMF says is that if the process continues further, then the enterprises will be squeezed out, inflation will start spiralling upward again, and everything we have suffered for over two years here will go to ruin. That is what the IMF says. It does not say: It should be this much, or that much. The discussions have not been broken off, as an outstanding young deputy said, but they will continue in Washington. Yes.

Finally, I would like to say once again: It is in our interest that we keep the state housekeeping in line, adjust it to the market economy, keep it between financeable frameworks. I would again like to draw attention to the fact that the reasons for the difficulties causing the deficit are

not of recent origin. The gap between earnings and expenditure is opening up at an ever-faster rate. The practice of the past years virtually without exception was that financial measures always tried to moderate the budget deficit of any given year by keeping it within the frameworks of the given year's possibilities. That necessarily led and leads to the deficit being reproduced at an ever-higher level.

The expenditure side of the budget is burdened by major commitments. What is more, there is a particular element among the (above-mentioned) determinants of the budget, and it is this: The realization of the concepts for transforming the large distribution systems and the institutional sphere cannot be carried out in the short term with big savings. For that very reason, when submitting the 1993 budget, the government will be submitting a concrete, three-year, stabilizing budget or consolidating program for the item-by-item reexamination of the institutional system, for the restructuring of expenditure, and for the creation of a consolidated state housekeeping system, including social security.

I think that even in the difficult situation a way has to be found to reduce the state's shouldering of burdens. We cannot follow the path whereby we make up for the missing income, the lost income, by borrowing—be it an external or a very high internal one. We have to ensure a healthy economy, a healthy, thrifty budget system, and that is probably the biggest challenge of 1993.

Thank you for your attention.

Embezzlement of Refugee Funds in Hungary Denied

92CH0780A Subotica NAPLO in Hungarian
1 Jul 92 p 18

[Interview with Gabor Kovacs, head of the Circle of Southern Region (Delvidek) Hungarians, by Erzsebet Torok; place and date not given: "Millions? Foreign Currency? Donations? Szeged Members Charged With Embezzlement"]

[Excerpt] With the title "Refugees Left in the Lurch," an article was published in MAGYAR SZO on 27 May. In his "special report" Rudolf Ruzman claims nothing less than "the Szeged-based Circle of Southern Region Hungarians [DMK], a club of refugees, presumably snatched several million forints [Ft] and hard currencies from the relief funds assigned to Yugoslav refugees." That sentence alone deserves attention. The guilty deserve to be punished if the accusation is true, but if it is groundless then the slanderers have to be brought to justice.

To sort things out I met the head of the Circle of Southern Region Hungarians, Gabor Kovacs, department manager at the Szeged Textile Factory.

[Torok] How would you comment the article in MAGYAR SZO, the claims of Rudolf Ruzman?

[Kovacs] It made me really sad that MAGYAR SZO published those groundless charges and vicious slanders. However the article didn't surprise me at all because by the time it was published I had already learned of a petition to Pal Kippai, the mayor of Szeged, addressed by a group of refugees—some of them are not even members of our organization. The petition asked for an investigation on the business activity of the DMK and the alleged fraud involving the allocation of the apartments for the refugees. Some of them were not satisfied and sent an anonymous report to the police. Neither the mayor's office nor the police department discovered any misdemeanor or fraud, not to mention felony. Now we could declare "let bygones be bygones," but it would be a mistake. After reading that article, Hungarians from the Southern Region certainly formed an unfavorable opinion of us, but not only of us, but also of Hungary, which has provided help beyond its means for tens of thousands of refugees up to the present. I believe the purpose of that article was to compromise us.

[Torok] It might be useful to list Ruzman's accusations one by one. He claims that you embezzled millions of what was raised partly in Hungary, but mainly abroad in foreign currency, with the aim to help the refugees settle down and improve their living conditions in Hungary.

[Kovacs] First of all it is important to clarify that the Circle of Southern Region Hungarians was never involved in providing aid to anybody since this activity is a government task, supported by various religious organizations and the Red Cross. The DMK is a voluntary organization—this is how it was registered at the court of registration—with the primary aim that Hungarians immigrated earlier from the Southern Region and settled down in Hungary help to the best of their ability those left behind to preserve their identity, and also to cultivate the relationships between Hungarians living in the mother country and over the southern borders. The DMK was never a refugee organization or a refugee club, as Ruzman asserts. The depressing war situation and the crowds of refugees were the factors that made us turn our attention to them. As far as the embezzlement is concerned, the bank statement I presented you proves that our account at the end of May didn't exceed Ft145,000, interest included. That was the money we had. When we founded our organization we received Ft100,000 from the local government of Szeged to cover our operational expenses. We couldn't use that money for anything else. We paid out of it the customer service activities, rent, business travels, stationeries, etc. The small machine tool factory gave us Ft10,000, the monthly 20-forint membership fee totaled Ft28,000, and a private person donated Ft6,000, all these adds up to our asset of Ft145,000, as already mentioned. It is not worth mentioning our foreign currency account, we have 20 German marks, and \$10. I donated the German marks, and the dollars came from the head of our customer service. [passage omitted]

Panic Proposal for Balkan Association Derided

92BA1385E Zagreb *NOVI VJESNIK* in Serbo-Croatian
17 Aug 92 p 2

[Editorial by Branko Podgornik: "Blackmailed Skopje"]

[Text] It has been reported that Greece and Macedonia are violating the UN embargo against Serbia. Recently, German reporters near Kumanovo witnessed several freight trains and 60 tank trucks crossing Macedonia every day transporting oil to Serbia from Salonika.

Perhaps the report should read that Serbia and Greece are violating the UN embargo, and doing so through Macedonia. Because the unclear chain of events that has been unfolding lately, in the shadow of the Bosnian drama, around this largely unrecognized state suggests that Macedonia is being forced to make concessions to its northern and southern neighbors if it does not want to be isolated, and perhaps even much worse.

For Serbia and especially for Greece, of course, the road through Macedonia is otherwise an outlet to the world, while in the past Macedonia itself has had access to the world through Serbia and Salonika. If relations with its northern and southern neighbors begin creaking, then Macedonia is left with the "goat paths" across Albania, and the roads across Bulgaria are not easy or well-established either.

While it is in the interest of Serbia and Greece to preserve the status quo that prevailed earlier with regard to Macedonia, since the disintegration of Yugoslavia Macedonia, in search of statehood, has been more inclined toward Bulgaria, Turkey, and Albania. It has been recognized by Bulgaria, Turkey, and, recently, Russia. Greece and Serbia have now apparently succeeded in weakening the so-called wedge between them, which emerged along the Ankara-Sofia-Skopje-Tirana line. It has also been to their benefit that the EC has put Macedonia on ice, encouraging it to change its name if it wants to be recognized.

For now, it remains unclear how Serbia, with Panic's help, managed to get the Macedonian leadership to agree to concessions. In early August, Panic visited Bucharest, Sofia, Ohrid, Athens, Tirana, and Ankara, where he put forward the idea of a Balkan economic union, which was well received not only in Bucharest and Athens, but also in Ohrid. Incidentally, Panic told the Macedonian leadership that the "FRY" [Federal Republic of Yugoslavia] would recognize Macedonia, but shortly thereafter he said in Athens that it would not do so, in accordance with the EC position.

It is unknown why, after Panic's visit, the Macedonian president urgently requested a meeting with Bulgarian President Zhelev, who interrupted his vacation and met with Gligorov at the Burgas summer resort.

While analysts are still working on the significance of Panic's surprise proposal for a Balkan economic union, it can be affirmed that it is truly ridiculous for the state

that provoked the war in the former Yugoslavia and that is under international economic isolation to propose a peacetime association based on the Benelux model. It is more likely that this is a (successful?) attempt to break the blockade against Serbia and struggle to keep Macedonia within its sphere of influence.

HSP Chairman Paraga Accuses Journalists, HDZ

92BA1385B Zagreb *NOVI VJESNIK* in Serbo-Croatian
22 Aug 92 p 7

[Article by Zeljka Godec: "Paraga Accuses Journalists—and Croatian Democratic Community, HDZ"]

[Text] "It is thanks only to the HOS [Croatian Defense Force—military wing of Croatian Rights Party] and the Bosnia-Hercegovian leadership that Croatia did not 'get' sanctions," say leaders of the HSP [Croatian Rights Party], denying the allegation that that party is disintegrating.

Zagreb—"The Croatian Rights Party is stronger than ever, but the atmosphere of disintegration being created by journalists from GLOBUS, SLOBODNA DALMACIJA, NEDJELJNA DALMACIJA, and VECERNJI LIST, speculating about the tragic death of Gen. Blaz Kraljevic, alleging that Paraga is the extremist and Djapic the moderate, is nothing other than the empty desires of journalists," HSP chairman Dobroslav Paraga said Friday at a press conference.

Behind the newspaper articles, in Paraga's judgment, there lurks a "showdown by the ruling party, which is not in a position to defeat the enemy, so that the old scenario of an internal enemy is clung to because it cannot reconcile itself with the support that the people are offering the HSP."

Top HSP figures gave the first and last names of the main journalistic offenders, whose "designs are promoted even by Slaven Letica." "Zeljko Gamazdi at NEDJELJNA DALMACIJA," Paraga says, "superficially concludes that 'this is disintegration' simply because Ante Djapic was not present at the send-off of the killed HOS members."

HSP vice chairman Ante Djapic cited fatigue as the reason for his absence from the funeral. He handed over the post of head of the HOS to Prkacin "because I have too many things to do, not because of turmoil within the party, as Ivan Zvonimir Cicak alleges in SLOBODNA DALMACIJA." According to Djapic, "not even Seselj would write" an article like the one written by Zeljko Kruselj in NEDJELJNA DALMACIJA.

Explaining the position of the HOS in B-H [Bosnia-Hercegovina] (it is now under the command of Ante Prkacin and Mile Dedakovic the Hawk), Paraga emphasized that the killing of Kraljevic and eight members of the HOS reflects a desire to curb the idea of an unconditional Serbian border on the Drina.

Paraga called the ruling party's policy toward B-H "shameless betrayal and an inadmissible sellout of B-H." "It is incomprehensible how they are artificially promoting an anti-Muslim attitude, especially in western Herzegovina, using HOS units that are the only ones that have succeeded in uniting Catholics and Muslims. In order to implement the Boban-Karadzic agreement, it is first necessary to defeat the HOS. We are against the cantonization of B-H, because that is another name for an expanded Serbia," Paraga said, adding that the Vatican's recognition is significant to the preservation of an integral B-H.

"Boban will not even be able to show his face in Livno, because his community has already sold out two-thirds of the territory. If it is a mortal sin for the HOS to have formed a coalition with the Muslims, then we ask what sort of policy is being pursued at Zagorje Villa," Paraga says, responding immediately: "A pro-French one."

Turning to the statements by Provincial Markusic and Bosnian Archbishop Vinko Puljic, according to whom those who support cantonization have no right to speak on behalf of the Croatian people, Paraga said that this is further proof of the "defeat of Mate Boban and Franjo Tudjman." "There could have been one more empty seat in Helsinki; Croatia was supposed to be slapped with sanctions by the international community on 1 July, but the B-H leadership prevented the sanctions only because of the HOS," Paraga continued, adding that "it will no longer be possible to prevent them if the assassinations against the HOS continue."

Asked about the creation of a parallel HOS in B-H, Djapic responded that "it is not impossible for some people to put on their uniforms and run wild; that has happened in Croatia as well, and no one is immune from enemy infiltration, but there are legal procedures for that."

HSP Protests 'Unexplained' Crimes

92BA1385C Zagreb NOVI VJESNIK in Serbo-Croatian
22 Aug 92 p 7

[Text] Zagreb—"The Croatian Rights Party [HSP] sharply protests the loathsome act that took place on 19 August 1992, when a time bomb was planted under the personal car of an HSP member, Mr. Marinko Bozic. This was not the first case in which criminal acts of this sort, which have yet to be cleared up, have occurred in our 'young Croatian democracy.' Many such terrorist acts were committed in the Republic of Croatia over the past year, the best known of which are the attacks on Zidovska opstina, the Serbian metropolitan, and the U.S. consulate in Zagreb," states an HSP announcement sent to all public media by the HSP's office for public relations and signed by Mario Mihaljevic.

"This assassination is a continuation of the dirty campaign against members of the HSP. We must recall the still-unexplained murder of HSP vice chairman Ante

Paradzik and the latest case—the murder of Blaz Kraljevic and his entourage. It is no coincidence that as many as two loathsome assassination attempts have taken place over the course of 10 days! One was successful and the other was not. During this very period, a dirty postelection media campaign has begun against the Croatian Rights Party, because when it is not possible to dispute the positions of the HSP through arguments, weapons are drawn," the statement continues, concluding: "The Croatian Rights Party supports determined respect for the law and for the rule-of-law state, and demands that the perpetrators of the assassination of Mr. Marinko Bozic be found as soon as possible, together with the perpetrators of other terrorist acts. We call on the highest ranking officials in the government of the Republic of Croatia to publicly denounce such assassinations that completely negate the rule-of-law state in the Republic of Croatia."

Conflict of HVO, HOS Units in Herzegovina

92BA1385D Zagreb NOVI VJESNIK in Serbo-Croatian
22 Aug 92 p 2

[Editorial by Aleksandar Milosevic: "Rashomon"]

[Text] The recent death of Blaz Kraljevic, the HOS [Croatian Defense Force—military wing of Croatian Rights Party] commander for Bosnia-Herzegovina [B-H], and of eight members of that group demonstrated in the most dramatic way the current relations of the Croatian Rights Party [HSP] and its military units with the Croatian Defense Council [HVO] in Herzegovina. The fact that these relations are not good has been quietly noted for several months now, while disagreements between the HVO and HOS have been discussed by political and military figures of the HVO in Mostar on several occasions at press conferences.

Based on official announcements, there is more speculation about than actual knowledge of the causes of the disagreements, because apparently neither side in this conflict wants to show its hand, at least for now. Still, even a superficial analysis indicates two things: The HOS and HVO have parted ways on the question of the political structure of B-H and on the organization and command of armed campaigns against the Chetniks and remnants of the JA [Yugoslav Army] on Bosnian soil.

Although the HSP has for some time stubbornly advocated a change in borders where Croatia is concerned, mentioning the historic borders of Croatia up to the Drina and Zemun, in questions of B-H it has openly opposed the policy of Mate Boban and the HVO. As strange as this may seem, in a certain sense the HSP in Bosnia has advocated a unitary state with a clear Croatian complexion. This is the stage where HOS units have been active as well.

Another stumbling block has been relations in the command and overall military structure of the armed forces within B-H. More than once the HOS has accused the HVO of accepting members of the former JA into its

ranks, of giving them command positions, and of not verifying their loyalty to the struggle against Serbian aggression. The HOS has charged political factors in Sarajevo with the same thing. On the other hand, the HVO has alleged that the HOS wants to take advantage of the fight against the common enemy in order to accumulate political points, inappropriate politicking at a time when the war against Serbia should be the foremost and only task.

For now, however, this Hercegovinian Rashomon is unfolding to the advantage of the HVO political and

military option. Reports coming from Hercegovina describe the attrition in HOS units and their desertion to the ranks of the HVO. It remains to be seen whether this will continue until the HOS completely disappears from the Hercegovinian region or whether the HVO and HOS will in fact find a common language. What is certain is that the internal Croatian conflict in Hercegovina right now is only to the enemy's advantage. It is less important whether the KOS [Counterintelligence Service], HOS, or political exclusiveness within the Croatian camp are behind these conflicts.

Renewed Economic Cooperation of Republics Urged

92BA1393A Belgrade VOJSKA in Serbo-Croatian
20 Aug 92 pp 6-7

[Interview with Nikola Sainovic, M.A., Yugoslav federal minister for the economy, industry, and energy, by Risto Kostov; place and date not given: "Urgent Rebuilding of Economic Cooperation"]

[Text] When Nikola Sainovic, M.A., was appointed minister for the economy, industry, and energy of the Federal Republic of Yugoslavia [FRY] about a month ago, the first thing he asked his staff to do was to prepare elements of economic legislation from several reference countries whose development resembles ours in some way.

"Those elements will be the basis when the Law on Enterprises is drafted rather than the material of some working group, so let us have it 'bad,' the way it is in Finland, which is in the group of countries with whom we can 'hook up with' in economic development," Sainovic says.

Although economic legislation is one of the most urgent items of business, we began the interview with the inevitable question about the consequences for our economy of the economic blockade of the FRY, which is now in its third month.

It Began Before the Blockade

"The economy of the FRY, that is, of Serbia and Montenegro, was highly chaotic in the former Yugoslavia and had been for several years. In the process of separation of some of the former Yugoslav republics, there was no definition of monetary space, the economic system, customs, the issuing of money, and new monetary units were created. There was a high degree of chaos, a kind of economic torture.

"The economy of the FRY experienced physical blows even before the blockade: On 5 September of last year, our only oil pipeline for delivery of 'black gold' was closed, and in mid-September, also last year, both of our long-distance power transmission lines were cut off, severing the linkage of our electric power system with West Europe. Thus, the statistics which show a large drop of production and exports in the first half of 1992 are also the result of the state before the blockade. The blockade has, of course, had consequences, but here about three months have passed since the sanctions were instituted, but the economy of the FRY has not been brought to collapse."

The Giants Are in Operation

[Kostov] Which sectors of the economy are for the present effectively resisting the economic blockade?

[Sainovic] In a rough division, there are two groupings which are successfully resisting the blockade. The first is

the complex in which we possess large resources of our own: a sizable segment of the energy industry, electric power, the coal industry, the steel industry, nonferrous metallurgy (copper, lead, and zinc), and the forest products industry. Those plants are operating.

Compared to the rest of the economy, they have been recording the smallest drop of production (about 15-20 percent).

The second complex lies in the human factor and the capacities of the so-called traditional industries—textiles, clothing, and the furniture industry. They were directly tied even earlier to the outside world, because they did "loan" work (on order and usually with the materials of the foreign firm), and thus they were forced in a direct way to achieve world productivity. That segment of industry will experience ups and downs from case to case, but the good thing is that it is very flexible.

Small firms show more resourcefulness under the conditions of the blockade. It is well known, that is, that the largest number of private firms have been established in Serbia and that the degree of privatization and transformation of ownership have been greatest in Montenegro. A large number of private businessmen have emerged and are engaged in importing and exporting and are thus helping to improve the country's flexibility under these conditions. At one time, there was only Geneks that could import petroleum, and it did so in the large quantities necessary. Now, if 500 small private firms import five tons of petroleum each, 500 problems would be solved.

And finally, what usually makes it difficult for foreigners to understand how we can put up with the blockade is the agricultural complex, which I mention although it is not my specialty. The fact that 90 percent of the land is privately owned and that we have many small holdings (what we have pejoratively referred to as mongrels) is a great shock absorber. After all, a small farm is an additional and very important source of subsistence.

[Kostov] Nevertheless, the news indicates that in Zastava Automobiles alone 18,000 workers were laid off for two months at the beginning of August. That is the way it is in many other firms. Is there any way the federal government can help them?

[Sainovic] The situation varies from firm to firm. The firms most susceptible to the sanctions are those which had high dependence on imports and exports and those producing a specific product such as Zastava. In any case, we are not offering a general model on how to use the momentary unemployment. The important thing now is for management to find ways of operating even under these conditions.

It is nevertheless encouraging that the large firms in heavy industry are in operation. These are the Bor Mining and Smelting Basin [RTB Bor], the Smederevo

Metallurgical Combine, the ferronickel factory in Glogovac, and even the Trepca Combine, and then the power plants....

Preconditions and Then—Specifically

[Kostov] In his inaugural speech in the FRY Assembly on 14 July, Prime Minister Milan Panic announced the restructuring of large firms, the opening of firms oriented toward export, but also the closing down of firms which do not have prospects on the market. When will you initiate that effort?

[Sainovic] At this moment, the federal government has two tasks. The main one is the fight to get the sanctions and economic blockade lifted, and the second is at the same time to create a new economic environment, both legal and economic, and above all a new relationship to the world. We are right now preparing a set of interrelated legislative and other measures which will improve the legislative environment: creation of a stock exchange, trade in securities, transformation of ownership, tax exemptions, and other incentives....

The lifting of the blockade against FR Yugoslavia and this new economic environment created by business law are a precondition for performing the tasks referred to in Prime Minister Panic's speech.

[Kostov] A start was made earlier on the transformation of property, and then it stopped. Where is the line between nationalization and privatization?

[Sainovic] Unfortunately, we have had very little serious analysis of what has been happening in this respect. There is a great deal more labeling being done. Many people object to our nationalizing now what earlier was nationalized in the countries with a market economy, and it is now being privatized there. This depends above all on the level of economic development. Compared to England and France, of course, we are on a different level of development. It should be mentioned that in France the government has until recently had a majority share of Renault or that the electric power industry in that same country is 100-percent government-owned. France entered the process of nationalization when it had to rebuild its industry after the war.

We are now in a situation of nationalizing vital industrial structures such as the electric power industry, the oil industry, national wealth....

In the FRY, we have about 40 enterprises in which owners have been named with relatively little additional capitalization. Some of the nominal shares have already changed owner, that is, some of that paper was already being bought and sold. In Vojvodina, there are quite a few such enterprises. The example of RTB Bor is interesting; it does not have just one large production operation, but 16 firms. Ownership of each of them might be transformed in a separate transaction. There is obviously a need to allow for segmentation in the transformation of ownership of large systems.

The process of privatization, just as in the former East European countries, will be lengthy and complicated in our country as well. There are problems even in the former East Germany (where now there is capital within the framework of the Federal Republic of Germany), as well as in Hungary, Poland, and Czechoslovakia, where there is no new capital.

[Kostov] When is privatization expected to really get going in our country?

[Sainovic] That process will certainly go on for years. If the sanctions are removed and Yugoslavia's economic ties are renewed with the world and the IMF, with the World Bank, and if an atmosphere attractive to investment is developed, the process will be considerably faster. If the stagnation persists, privatization will be slowed down. It is obvious in many countries, including our own, that the decision on privatization can be made overnight, but it cannot be carried out overnight.

For Renewal of Economic Cooperation

[Kostov] Mr. Sainovic, has the war severed all economic and business ties between people in the former Yugoslav republics?

[Sainovic] The war has gone on too long. There were several examples of cooperation when the conflict first broke out, but later, especially since war broke out in Bosnia-Hercegovina [B-H], there have been fewer and fewer, primarily because transportation is impossible.

[Kostov] What is your comment on the agreement among small firms in Serbia, Croatia, Macedonia, the Serbian Republic Krajina to renew business ties?

[Sainovic] Our position is for all elements of economic cooperation to be renewed as soon as possible. This was offered earlier by the Republic of Serbia, now it is being offered by the federal government and Mr. Milan Panic, its prime minister. This means renewing all infrastructural, transportation, and other flows: resuming operation of the oil pipeline, feeding power to long-distance power transmission lines, and opening the Belgrade-Zagreb limited-access highway to transportation. These are major issues on which we are clearly demonstrating readiness for cooperation. The president of Croatia, however, has put numerous conditions.

Big Preparations for the Winter

[Kostov] The electric power situation is the focus of public interest not only on behalf of the operation of economic facilities, but also because of the upcoming heating season. What chances do we have of getting through the winter?

[Sainovic] We are maintaining an energy situation which makes it possible for the factories to operate, there has been no collapse in transportation, and the public also has small quantities of fuel for their own purposes. Unless there are drastic changes in external factors, we will be able to maintain that situation.

As for heating, we are working right now on special programs for financing and preparing the power industry and coal industry. We are preparing the electric power industry for a higher load during the coming winter. Coal supply is a big problem, because until recently it was coming mainly from B-H. Serbia's electric power industry has assumed the big task of increasing its own coal production several times over both for industrial needs and also for general consumption—households and heating plants.

It is an encouraging fact that Kosovo's electric power industry is performing well. Certain capacities of the Kosovo power plants have been shut down there not because there is not enough consumption, but because production has been increased about 30 percent. This was achieved without any new investment, not a single new dredge or power plant.

Enough Petroleum for Vital Needs

[Kostov] The supply of oil and petroleum products is disturbing citizens with good reason. Is there any room for even a little optimism?

[Sainovic] We have our own oil production to meet vital needs. For a short time, we can plunder it so that the army, police, and ambulances will never be without petroleum. As for transportation, we can shift to greater use of the railroads and make use of all unused internal potential. I have already said—unless major external changes occur, we will maintain the present situation with respect to the oil supply.

[Kostov] Construction of a Bar-Pancevo pipeline is being mentioned more and more frequently....

[Sainovic] The objective problem is that the pipeline would be lengthy, and the capacity relatively small. The solution is unification with a foreign partner, modernization of the petroleum industry and expansion of its market outside our borders. Then our own seaport and oil pipeline would also have economic justification. Studies were done previously concerning the possibilities of using the Belgrade-Bar railroad as a route for the future pipeline. In any case, the oil pipeline from our one seaport to our refinery would be a very important thing strategically.

[Box, p 7]

Military Industry

We asked Nikola Sainovic, M.A., federal minister for the economy, industry, and energy, what the view is in the federal government of the prospects for the operation and development of the special-purpose industry, that is, the military industry.

[Sainovic] The entire complex of the military industry will have to experience two changes. One will follow from the change in the concept of the army, its developmental orientation and structure. The other will be in the framework of changes toward a market economy. Both

thrusts for change which the army will receive will be difficult. Why do I say that?

First of all, because further extensive development of the special-purpose industry will not be possible. The very conception of relying on our own resources assumes a real dimension.

I believe that as many [as published] factories or plants as possible should be exclusively military. For certain special products, a portion of the military industry must remain. However, in the West many enterprises which are not military at all are engaged in the production of armament and military technology. And the keeping of military secrets has long been worked out in the world even within a private enterprise, socialized enterprise, mixed enterprise, or even foreign enterprise. This should not be turned into a dogma.

The greatest capital in the military industry is knowledge. We have an exceptional large team of military experts who for years have been developing and have gained multiplicative knowledge.

[Kostov] Will all those changes also have an impact on the treatment and status of the military industry?

[Sainovic] The question of the military industry should mostly be treated within the framework of the Ministry of the Economy, Industry, and Energy of the FRY as an integral part of the economic structure, not as a superb part of the army's development.

Albanian Envoy on Intervention in Kosovo

92P20399A London *AL-HAYAH* in Arabic
31 Aug 92 p 6

[Article by Abdallah al-Hajj]

[Text] Jeddah—An envoy of the Albanian president visiting the Persian Gulf region has announced that his country will intervene militarily if the Muslims of Kosovo face Serbian aggression. Burhanneddin Vili told *AL-HAYAH* that a meeting was held with Kuwait and Saudi Arabia, where officials met to secure economic and military aid for Albania so that it would be able to deal with the current conditions that threaten the Balkan peninsula with being engulfed in flames. He added: "We fear that if fighting begins in Kosovo, 90 percent of whose inhabitants are Muslim, this will compel these people to immigrate to Albania, which will not stand idly by while aggression is perpetrated upon the citizens of Kosovo, the Sandzak, or Macedonia. In spite of the feebleness of Albania's economic and military capabilities, it will intervene if necessary."

Burhanneddin Vili demanded that the Arab and Islamic states take this matter under consideration and said: "What happened in Bosnia-Hercegovina should not be easily accepted. If the Muslims had taken precautions in the matter, the catastrophe that the Muslims of Bosnia face in the form of massacres at the hands of the Serbs,

who have been preparing and planning to kill the Muslims for a long time, would not have occurred." He added: "If Albania had been a strong country politically and militarily, the Serbs would not have been able to commit aggression against the 9 million Muslims of the Balkan peninsula. In the worst case, the Bosnia refugees would have been able to flee to Albania instead of to Germany, where they face Christianizing influences and their Muslim identities are threatened."

He affirmed that Albanian President Sali Berisha is concerned with the problem and believes that if there is a flare-up in Kosovo, this will cause a major problem throughout the Balkan peninsula.

Vili indicated that Albania, which is the Islamic bridge-head in Europe, currently finds itself in a weak state and that the Arab and Islamic countries—especially in the Gulf—should work to strengthen it by every economic, political, and military means.

He mentioned that he had met with Prince Sultan Bin-'Abd-al-'Aziz, the Saudi defense minister and second deputy prime minister, and that he gave him a message from the Albanian president to King Fahd Bin-'Abd-al-'Aziz, custodian of the two holy mosques. In it, he explained the current political situation in the Balkans and its place in the framework of Albanian needs, with regard to the fact that what is happening now is a comprehensive European plot against the Muslims in Europe as a whole and that the Serbs are the "cat's claw" being used by the West in its current war against Islam."

Reformists' Declaration on Vojvodina Attacked

92BA1385A Belgrade BORBA in Serbo-Croatian
21 Aug 92 p 8

[Article by Z. Serences: "Reactions to Declaration on Vojvodina by Vojvodina Reformists Materialize With Unchecked Fury: Outcry on Declaration—Silence on Hrtkovci"]

[Text] *Many people will not even read the declaration, but, thanks to this campaign, they will know in advance that it is a "separatist document," even though it contains no separatism and support for Vojvodinan statehood whatsoever. It is only a political view of Vojvodinan autonomy, says Petar Petrovic, the vice chairman of the Vojvodina reformists.*

In these sultry days, it appears that the temperature has been more than raised by one political document—the Declaration on Vojvodina by the Reform Democratic Party of Vojvodina—made public less than a week ago, to which reactions from various political parties are arriving every day, together with reactions to the reactions.

For instance, yesterday the League of Social Democrats of Vojvodina/Yugoslavia piped up with its assessment that the "style and vocabulary of the public reactions by the Socialist Party of Serbia, as well as its satellites, the Serbian Radical Party, Serbian National Renewal, and the Serbian

Democratic Party, once again confirm the high level of their political congruence and coordination and demonstrate to us that they are neither socialist nor democratic nor national." It is noted that "the cooperation between these party groups in the form of open warnings, threats, calls for expulsions and persecution, as well as the carrying out of physical actions against their own people who think differently" is an indication of their essential unreadiness for democratic dialogue and an orientation toward intolerance and aggressiveness....

The entire series of challenges to the reformists' declaration was joined in yesterday's issue of DNEVNIK by academician Cedomir Popov, who in his lengthy article on this reformist view of Vojvodinan autonomy also finds nearly all the elements of the 1974 Constitution, noting among other things that "in a 'civilly organized' Vojvodina, therefore, Hungarians would remain Hungarians, Slovaks would remain Slovaks, Romanians would remain Romanians, but Serbs would be 'citizens.' Such a concept has long been known to us and smells terribly of AVNOJ [Anti-Fascist Council of People's Liberation of Yugoslavia] and the Briuni Constitution. And also of something even worse and more perilous."

However, the Reform Democratic Party of Vojvodina itself has not reacted to all the charges and reactions. In the words of party vice chairman Petar Petrovic, they scarcely could have expected such an avalanche of condemnation. He adds that he is sure that many people will not even read the document, but thanks to this campaign, they will know in advance that it is a "separatist document," even though, as Petrovic says, it contains no separatism and support for Vojvodinan statehood whatsoever; it is only a political view of Vojvodinan autonomy.

In response to the charges that have been heard in recent days, according to which the Vojvodina reformists "timed the publication of this document," making it public at an exceptionally sensitive and crucial moment (on the eve of the London conference), Petrovic notes that his party, upon adopting its redefined program back in February of this year, had already largely presented all of this as its orientation and view, that the party's program is in fact the foundation of the Declaration on Vojvodina, that 90 percent of what is presented in the Declaration is practically contained in that program....

The vice chairman of the Vojvodina reformists does not fail to point out "that unfortunately no one reacted as quickly to events such as those in Hrtkovci as they are now reacting to our view of Vojvodinan autonomy, crying at the top of their lungs that we are separatists, that we want statehood—which is not true, there is nothing of that in the Declaration. Rather, this is all according to the old 'stop, thief' system...." He also wonders "how it is that none of the people who accuse us of being such and such react to the call by the Serbian Radical Party for open lynching."

To the charges that the reformists were actually holding onto the document and waiting for the right moment to reveal it, Petar Petrovic says that there is no such secret about it. He points out that his party has had plenty of serious political discussions with other parties in the past in which, of course, consideration was given to the possibility of a potential coalition and cooperation and in which the Vojvodina reformists, Petrovic says, always made it clear to everyone that they regard two of its attitudes—i.e., documents—as essential and fundamental to that party: the ones about human rights and national minority rights and the view on Vojvodinan autonomy, which is precisely what this Declaration is. Petrovic adds that these are the foundations on which they will seek potential coalition partners.

Asked whether the Declaration on Vojvodina by the Vojvodina reformists will be on the table for the participants of the upcoming London conference, Petrovic says that it was decided to send the document to Lord Carrington in order that it be one of the (certainly many) papers and options in London. "Why not?" Petrovic says. "We have a right to our political opinion, and why should this one not be represented among all the others? After all, we are a parliamentary party and no one can challenge our right to our own opinion. But what others think about our opinion is in turn a different matter. Elections are a better test of that than a political campaign."

[Box, p 8]

DEPOS and Reformists

Asked whether the apparent disagreement between DEPOS [Democratic Movement of Serbia] and the Reform Democratic Party of Vojvodina on the republic's territorial organization will be reflected in future relations, Petar Petrovic notes first of all that there has been public misinterpretation about that party being a collective member of DEPOS. "We are not, nor have we ever been. After all, we not represented in the executive bodies of DEPOS. Of course, we have cooperated and have said that we will support all actions by DEPOS where we share common positions. That will continue to be the case in the future. Thus," Petrovic says, "the situation here is clear: We want cooperation, just as we have in fact had good cooperation in the past."

Blockade of Petroleum Affects Macedonia

92BA1394A Skopje NOVA MAKEDONIJA
in Macedonian 29 Aug 92 p 15

[Article by Blagoja Janev: "In the Labyrinth of Blockades"]

[Text] *The paralysis of the traffic and some other realities caused by the petroleum crisis indicate that it is high time to find a long-term solution to this problem. Private initiative could take us out of the petroleum blockades.*

Petroleum is the focal point of the public in this last week of August. The composition of the new government and

the forthcoming school year as well as the London conference appeared to have been assigned second priority to the need for high octane, regular, diesel, and fuel oil.... The shortage of such fuels has disrupted this socially shaky area like an earthquake. Everything might have developed peacefully—this is not the first time such things have happened—had this "earthquake," known as the petroleum crisis, not shaken up our Republic so frequently, virtually every month for the past year. For that reason and because of the constant threat of a total oil collapse, there have lately been more frequent calls, warnings, and calls by a number of people in the Republic to put an end to the situation and bring order to the fuel supplies.

Paralysis

The latest petroleum stress, triggered by outside sources after a freeze was imposed on petroleum transportation to the Republic, and the strange calm displayed by those responsible within the country (Makpetrol, the refinery, and the respective ministry) indicate that it is necessary to find a long-term solution to the petroleum crisis that has caused a total paralysis in some areas of life in the Republic—above all, in transportation. After closing down or reducing most interurban or local bus lines, traffic in many settlements has ground to a halt, and citizens cannot travel, tourists cannot return to their homes from the lake resorts, the prices of farm goods on the markets have jumped up because of transportation difficulties, and a large number of enterprises are threatening with a partial or total halt in production.

Those responsible for petroleum procurements have been unable to resolve the energy supply problem for almost eight months. Meanwhile, in neighboring and many other East European countries, fuel can be freely bought at British Petroleum or Shell gas stations.

Our fuel problem also has another dimension. Before, during, and after any international conference that deals with Macedonia, among other issues, the Greeks have been blocking shipments by Macedonian oil carriers, thus creating chaos in the Republic's fuel-supply system. This has become a regular occurrence familiar to all but the responsible officials in Makpetrol, the refinery, and the respective ministry who are in charge of ensuring oil procurements for the Republic. They are regularly surprised and amazed at the Greek actions instead of having already prepared alternate solutions and options, which, if not completely able to compensate for the loss of crude oil shipments from Greece, could at least lessen the consequences. Conversely, whenever the worst occurs, we hear from all sides ideas on restrictions, reductions, the less use of fuels and coupons, and a reduction of distribution and deliveries of derivatives at the gas pumps. If this is inevitable, steps could at least be taken several days before the Greeks act, something that is easily predictable. Nevertheless, by mistrusting both companies on whom supplies of petroleum derivatives

depend, not only has the government been unable over a long period of time to find a systematic solution to the problem of procuring the necessary currency to pay for the oil but has also been unable to resolve the problem of the unobstructed transportation of already purchased amounts of crude oil. The steps that have been taken have been forced, hasty, and mostly random (rationing is one of the best illustrations of this example), and have put us in the position of having to put out a petroleum fire instead of preventing its outbreak.

The very fact that such problems of blocking our oil deliveries by Greece have existed from the very beginning of the year is an indication that the approach to this problem is not sufficiently serious and lacks the required systematic and analytical nature. Thus, the long-proclaimed and already notorious East-West pipeline, which, it is said, could at least during critical periods when our neighbor turns off the tap be used to carry crude oil or refined derivatives, remains nothing but an idea. The responsible officials frequently explain that these are extremely expensive solutions that cannot be applied for a variety of reasons (distance, the need for some structures and transportation facilities to pump and carry the petroleum, and so forth). However, few people are willing to accept that something must be done.

The Way Out

Under circumstances in which the responsible officials are unable to find a way out of the labyrinth of petroleum blockades, several private and public companies, licensed to engage in foreign trade, are trying by themselves to procure petroleum and petroleum derivatives for the Macedonian market. As we have learned, the number of such enterprises has reached 80, and what attracts them to become involved in the petroleum business is the license given to them to pay no more than 1 percent of their expenses, a 10-percent discount on customs fees, and another 7.5-percent discount on the additional customs fees. Yet, judging by what we hear and the answers we get on approvals granted for such imports, a number of enterprises do not dare import petroleum derivatives into Macedonia, not being exempt from the trade and road taxes. Whenever such an initiative has been profitable, the state has profited twice as much. Its markup is approximately 65-70 percent, which makes it difficult to sell the fuel at a competitive price, and the privileges that have been granted become useless. The greatest beneficiary in this case is Makpetrol, whose monopoly remains untouched, needless to say.

One of the possible solutions would be to reduce the compensation levied by the state. It is imperative, considering the unenviable conditions that prevail in the matter of supplying the Macedonian market with petroleum and petroleum derivatives, to give everyone an opportunity. Such people should be helped by untying their hands, not to the detriment of someone else but in the interest of the state. Unquestionably, this will be one

of the tasks of the new government. Otherwise, the temporary petroleum crisis could easily turn into a petroleum cataclysm.

Chairman of Ilinden Free Democrats Interviewed

92BA1306A Skopje NOVA MAKEDONIJA
in Macedonian 26 Jul 92 p 3

[Interview with Naum Riskovski, chairman of Ilinden Free Democrats, by J. Kochovska; place and date not given: "In First Place—the Economy"]

[Text] *Conversation with Naum Riskovski, chairman of "Ilinden" Free Democrats*

We understand democracy to mean that everyone is free to express his opinion without being penalized by the party. There are decisions to be made concerning Macedonia; only a decisive and bold step is needed in behalf of the market economy. We will give our three votes for the new government.

The newly formed Ilinden Free Democrats recently appeared on the political scene in Macedonia in the register of political parties. Although just formed, this party already has its group of representatives in the parliament, composed of the three former representatives of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]. The chairman of Ilinden Free Democrats, Naum Riskovski, otherwise a lawyer employed by Jugobanka, did not reject the possibility that the representative group of this party in the following period will increase its parliamentary contingent with "new" representatives.

[Kochovska] The fact that some of the main initiators of Ilinden Free Democrats are Mikhail Panovski, Blagoy Chkavovski, and Risto Jovanov, who left the VMRO-DPMNE because of the disagreement with the policy of the leadership of this party, is unavoidable. What are the differences between these two parties?

[Riskovski] The difference is in the fact that Ilinden Free Democrats is a party that will endeavor to guarantee true freedom for each citizen in this society, and we believe this freedom comes from an explicit legal standard and a legal government. Second, in accordance with equality of the rights of all citizens, Ilinden Free Democrats is a party in which everyone may speak his opinion because we understand democracy to mean free expression of opinion without being subject to any kind of punishment or sanction on the part of the party. Third, because we are a young republic, our party will insist on having a correct and legal relation with what is being built and achieved in Macedonia.

Likewise, Ilinden Free Democrats is a party that operates within the framework of this space, in the space of the Republic of Macedonia, such as it is, and this means within the framework of the state of the Republic of

Macedonia, in the borders, which are recognized internationally, and not beyond them. Our marketing beyond the borders of the Republic of Macedonia will be in this. To the business world, we will say that it is a free country, a democratic and open country, that offers a possibility for foreign capital. It means that our concept is that we will invite them to come and see that in Macedonia there are truly conditions for work and that what we say is the truth.

[Kochovska] This party declares itself to be a modern civilian party. What is the connection between this declaration by the party and the choice of the name "Ilinden Free Democrats"?

[Riskovski] We chose the name "Ilinden" because we were motivated by the traditional acquisitions of the Krushevo Republic. Brotherhood and unity are the historical assumptions of this nation. We think these basic assumptions of the Krushevski Manifesto have to be developed and built with democracy and by means of unambiguous laws of the legitimate government. The freedom of the citizens through their steadiness and persistence. Second, our party is open to all citizens of Macedonia, irrespective of nationality or religion. It is important for us if an Albanian citizen of Macedonia can connect us with the economy of Albania, a Turk with the economy of Turkey, and so forth. Freedom for us is to succeed in having the business world gather in Macedonia, to come here and to show them and carry out our market ideas.

[Kochovska] Recently, at the first press conference, you emphasized that the party in its activity puts its main emphasis on the economy. Where are the specific pledges of Ilinden Free Democrats?

[Riskovski] Our party will advocate private property as the most important category and, in accordance with this, the rights that result from this property, to be completely protected. We believe that the transformation of public property into private property, but at a real price, is unavoidable and necessary. The parties or the individual representatives in the parliament in no way dare to be brakemen when the law for privatization is introduced in the parliament; the process of privatization and of the economy must move forward. We likewise must strengthen the domestic currency and have it connected with the network of currencies, which are of importance in the European Community. Then the element of investments has to return because without investments there is no economy, and without an economy there is no capital.

Our party sees the future of Macedonia to be in the creation of small and midsized enterprises, which will be flexible in the market. We put special emphasis on the tax policy. We think that the tax steps have to be close to the European ones, even lower and not higher, because the budget needs money; the budget and the state have to adapt to the force of the economy. Likewise, we think that healthy market relations can develop only with

intelligent market regulations. The market economy does not tolerate administration, does not tolerate waiting, does not tolerate someone saying: Come for the documents tomorrow. In the market economy, there is no tomorrow. Things are solved the same day. I am a man of productive work, and I cannot agree when someone says that there are no decisions in Macedonia. It is not possible to not have a decision. Only a decisive and bold step and regulations in behalf of the market economy are necessary.

[Kochovska] Ilinden Free Democrats was included in the negotiations for ensuring a majority for forming a new government. How did the negotiations come out?

[Riskovski] We were consulted about our ideas, and we were called on the part of the SDSM [Social Democratic Alliance of Macedonia] party, to which the president of the Republic, Kiro Gligorov, confirmed the mandate for forming a new government. We said that we will give our three votes in the parliament and that we will support the new government without any blackmail or seeking ministerial posts. Simply, we think that, if someone is given the mandate to form a new government, he has to form a team that will be competent and responsible for this serious task confided in him in this period of time. What we see is that Petar Gosev declared that he needed 20 days, but 20 days is a long time for putting together a new government in these conditions in Macedonia. We think the time must be shorter and the program of the government concise, clear, and pragmatic. We do not need statements.

Macedonians Reportedly Shopping in Serbia

92BA1365A Skopje NOVA MAKEDONIJA
in Macedonian 15 Aug 92 p 14

[Article by Sonja Kiridzieska: "Salonika Is Dead; Long Live Vranje!"]

[Text] *Why have a large number of citizens redirected their buying frenzy toward that little city in the south of Serbia? Twenty-seven thousand dinars for 100 marks. Delicatessen, fresh meat, athletic shoes, and durable goods. There are customers for all goods.*

An ordinary trip by a Skopje person, who discovered that a visit to relatives in Vranje could also serve other purposes, has developed into a new shopping trend for some Macedonian citizens. Initially, they were pleased to bring back a few inexpensive items and let neighbors, relatives, friends, colleagues, and acquaintances take care of the rest. Our fellow citizens could relax. Trieste is out, Salonika is the past, and Istanbul is too far, so long live Vranje! Yet, only a few months ago, the Macedonians, always willing to hustle and spend money, were ready to surrender to the fact that they were deprived of the possibility of traveling abroad. However, it is worth saying that a poor person is like a live devil and that the typical representatives of such people were able to redirect their consumerist passion toward that small city in the southern part of Serbia.

All for Vranje

Bombarded from all sides with the information that, in Vranje, 100 marks (45,000 denars) will buy nine pairs of shoes—Italian, at that—excellent silk shirts that go for 9,000 denars, and imported utensils that have long been lacking in Macedonia, this reporter, additionally motivated by traditional female curiosity, decided to investigate on the spot and to locate the line separating truth from exaggeration.

It is absolutely true that, during those hot August days, all roads lead to Vranje. In domestic councils, everyone is "for" converting hard-earned denars into hard currency, taking the household's reserves, filling up the car, and taking off. The border seems to present no obstacle, and neither Macedonian nor Serbian customs officials make problems for passengers whose only purpose is to buy less expensive goods. The long line of cars, whose plates indicate that they are coming from virtually every Macedonian city, flows by quickly, and the customs officials do not seem to be concerned with personal documents. All of this reminds shoppers of the good old times, when we traveled to Salonika without cringing or fearing that the vigilant eyes of the customs officials would detect something other than what had been declared. At this border, customs fees are rarely paid, while literally everything is being hauled away. Conventionally, one could categorize the purchasers as those who have come with no more than some 100 marks and those who have hooked trailers to their cars.

As we look at all those people driving in this heat, we get the idea that former Yugoslavia, considering the closed markets, the insufficient supplies, the impossibility of traveling abroad, and, above all, inflation, this small city in southern Serbia has become a true consumer Mecca for its neighbors, only yesterday's compatriots. In general, what is the logic of spending all those funds while constantly complaining of a lack of basic necessities.

Denars for Marks and Marks for Dinars

Another similarity with Salonika may be noted in Vranje: the parking problem. The flood of cars with Skopje, Kumanovo, Stip, and Prilep registration flows to the center of the city, and everyone wants to park closer to the main stores. However, Vranje is smaller than Salonika, and it takes some 30 minutes of looking to find a parking space. The siege of the stores begins as the people leave their cars. On that day (Thursday), the Vranje currency exchange office, located in the open, on the main street, was exchanging 100 marks for 27,000 dinars. It is as though by general agreement all dealers were holding on to that price; we learned from talks with people who had traveled to Nis or Belgrade that they could exchange 100 marks for 310,000 of their dinars in those cities. The exchange of currency is the first phase,

after which virtually everyone rushes to the butchers and the delicatessen shops, which are now a hit among Macedonian buyers. After the latest increase in the price of delicatessen items, a kilogram of sausage costs 1,200 dinars or 2,000 denars. A kg of kashkaval-type cheese costs about the same, prosciutto sells for 5,000 denars and ham for 2,000 denars. One kg of fresh meat fetches 900 Serbian dinars or 1,800 denars, and the biggest rush is in the butcher shops.

The Macedonian customers are most interested in three stores—Belgrad, Beko, and Jumko—where the selection is the biggest. The general impression, however, is that variety, after an almost one-month siege by customers, is greatly diminished. Domestically made shoes, still available, fetch between 6,000 and 15,000 denars, whereas Italian shoes cost about 100 marks. The Macedonian purchasers also crowd the stands selling sports footgear, where a pair of Simods fetches between 20 and 25 marks, which is considered inexpensive, because in Macedonia the cheapest quality, based on free shopping prices, cost 38 marks. Women shoppers go to the Jumko stores, where there are currently sales offering a 50-percent discount. Thus, for example, a three-piece dress sells for approximately 30 marks, and the same price is asked for heavy fall dresses. Edtko men's shirts sold at Jumko stores in Vranje are one-third the price charged in Skopje. One can buy men's trousers here ranging from 10,000 to 18,000 denars, while a man's suit can be bought for 70 marks. Women purchasers have been buying dinnerware for six for 20,000 denars (in Macedonia it would cost between 60,000 and 80,000 denars), or coffee sets for 12, which also cost 20,000 denars each. Men go to automotive parts shops, where they can purchase four tires for the "101" for 200 marks (at home a single tire costs 50,000 denars).

Not even a trace remains of the famous Thompson washing machines, which sell for 750 marks. According to the sales clerks, until a week ago a full range of such machines was available, and another shipment is expected in a week. Toshiba television sets sell for approximately 500 marks, and Moulinet irons can be had for 100 marks; our people are also buying vacuum cleaners, solid fuel ranges, and other minor household appliances, which are also 50 percent cheaper than in Macedonia. For inexpensive furniture, they go to the Simpo stores, where leather furniture sets can be bought for 2,400 marks and bamboo sets for 1,200. Kitchen units may be purchased singly for 300 marks each, while children's desks cost 200 marks.

Whatever the case, everyone finds it to his advantage to go to Vranje, and no one comes back empty-handed. Some of the cars are packed solid. Calculations made back home reveal that, at home, items are less expensive. However, the people need an escape valve and are willing to spend a few extra dinars. For the time being, this is successfully achieved in Vranje.

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